



1971

The British Press and the Emerging American Economic Challenge, 1873-1903

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Recommended Citation

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THE BRITISH PRESS AND THE EMERGING AMERICAN
ECONOMIC CHALLENGE, 1873-1903

by

Richard L. Gruber

A Dissertation Submitted to the Faculty of the Graduate School
of Loyola University in Partial Fulfillment of
the Requirements for the Degree of
Doctor of Philosophy

February

1971

ABSTRACT

In the first few years of the twentieth century, there was a flurry of excitement in the British press over the alleged American economic "invasion" of England. British writers of that time and historians since have made it clear that by 1901-2 the scope of American activity in England was already impressive. This study attempts to trace the response of British opinion to the emergence of this American challenge to British economic supremacy, in the United States and around the world as well as in England, in the period 1873-1903. It is a study not of the real dimensions of this American challenge but of the growing British awareness of it and is based upon an examination of representative organs of the British press.

During the years 1873-89, which are treated in Chapters I and II, discussion of the American challenge was general and wide-ranging. The most consistent theme was that, while the "Great Depression" kept British economic activity at a relatively low level, industrial America was growing rapidly. Alarming predictions of future American economic strength were coupled with the recognition that the Americans were becoming increasingly self-sufficient in products formerly supplied by the British and that the Americans were beginning to compete with the British in exporting manufactured goods to world markets, especially to Canada.

The years 1890-97 saw the continuation of these themes but concern over "McKinleyism" dominated the pages of the British press. Chapters III-V deal with the domestic aspect

of "McKinleyism": the losses--real and anticipated--resulting from the prohibitive levels of the McKinley and Dingley tariffs; the transfer of British capital and labor across the Atlantic; and the rapid growth of American basic industries such as textiles, coal, iron and steel behind the high wall of protection. The next four chapters deal with the external aspects of the period 1890-97. Chapter VI deals with the increase of American manufactured exports; schemes to revive American shipping; and the global expansion of American influence. Chapters VII and VIII examine reciprocity and competition in Canada and Latin America. Chapter IX deals with American competition in Europe, Africa, Asia, the British Empire and in Britain itself. The chapter concludes with an examination of 1897, for the beginnings of the excited public discussions of the American challenge which marked the first years of the new century may be traced to this year, which witnessed both the passage of the Dingley Tariff and sizeable shipments of American iron and steel to British and other foreign markets. The climax of this British concern over American competition in the years 1898-1903 is treated in a brief epilogue.

ACKNOWLEDGEMENTS

In preparing this dissertation I have received invaluable assistance of various kinds. Mr. J. Richard Abell, Head of the Department of History and Literature of the Public Library of Cincinnati and Hamilton County, provided working space and easy access to materials, which greatly facilitated the research. The readers of the dissertation, Dr. Robert McCluggage, Professor of History, and Dr. Lawrence McCaffrey, Chairman of the Department of History, both of Loyola University, offered criticisms for which I am grateful. My indebtedness to the director of the dissertation, Dr. James E. O'Neill, now Director of the Roosevelt Library, Hyde Park, New York, is very great. Not only did he offer encouragement and assistance in the early stages of the work but, by his willingness to go beyond his prescribed obligations to retain after he left Loyola responsibility for a dissertation still far from complete, he generously committed himself to the expenditure of considerable time and effort, compensated only by the knowledge that this project would not be pigeon-holed, perhaps permanently. The kindness and competence of Mrs. George Connelly, who typed the final draft of the dissertation, guaranteed that this final stage of preparation would go smoothly. My wife Chris transcribed, typed, proofread, and performed countless other tasks, all of which are very incidental to the far greater contributions she made as my wife during the long and trying period when this dissertation monopolized my time and attention.

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INTRODUCTION

By the late nineteenth century, America-watching was already a British tradition of long standing. Among the welter of conflicting opinion and testimony offered by British commentators there was a fairly common and consistent observation; this was the general and rather complacent prediction that at some time in the future the American nation must become the most prosperous in the world. For centuries prominent Englishmen kept returning to this theme. William Paterson, who had been instrumental in founding the Bank of England in the seventeenth century, had presented this prescient vision of the American future:

If neither Britain singly, nor the maritime Powers of Europe, will treat for Darien, the period is not very far distant when, instead of waiting for the slow returns of trade, America will seize the pass of Darien. Their next move will be to hold the Sandwich Islands. Stationed thus in the middle, on the east and on the west sides of the New World, English-Americans will form the most potent and singular empire that has appeared, because it will consist, not in the dominion of a part of the land of the globe, but in the dominion of the whole ocean. They can make the tour of the Indian and Southern Seas, collecting wealth by trade wherever they pass. During European wars they may have the carrying trade of all. If blessed with letters and arts they will spread civilization over the universe. Then England, with all her liberties and glory, may be known as Egypt is now.¹

¹Quoted in Benjamin Taylor, "The Coming Struggle in the Pacific," Nineteenth Century, XLIV (October, 1898), 661.

In the late eighteenth century Edmund Burke had stated it this way:

Young man, there is America--which at this day serves for little more than to amuse you with stories of savage man and uncouth manners; yet shall, before you taste of death, show itself equal to the whole of that commerce which now attracts the envy of the world.²

Some of Burke's contemporaries were more specific. Thomas Malthus had warned his countrymen that, if England were ever to lose her position of manufacturing leadership, the danger would come from America, with her superior resources:

According to general principles, it will finally answer to most landed nations both to manufacture for themselves, and to conduct their own commerce. That raw cotton should be shipped in America, carried some thousands of miles to another country, there to be manufactured and shipped again for the American market, is a state of things that cannot be permanent. A purely commercial State must always be undersold and driven out of the market by those who possess the advantage of land.³

The generation of Englishmen which saw the repeal of the Corn Laws and the booming prosperity which characterized the mid-Victorian years was no less impressed with the American future. As early as 1835 Richard Cobden had urged his country to adopt many of the American economic innovations if they hoped to keep pace.⁴ By mid-century The Economist had

²Quoted in "England and Her Second Colonial Empire," Quarterly Review, CLVIII (July, 1884), 135.

³Quoted in "Ritortus," "The Imperialism of British Trade: Part I," Contemporary Review, LXXVI (July, 1899), 140.

⁴See H. C. Allen, Great Britain and the United States: A History of Anglo-American Relations (1783-1952) (New York: St. Martin's Press, 1955), 74.

forecast:

From the relative progress of the two countries within the last sixty years, it may be inferred that the superiority of the United States to England is ultimately as certain as the next eclipse.⁵

And the British economist Robert Torrens, less confident than Cobden and The Economist of the wisdom of unilateral Free Trade, wrote at about the same time:

In the United States the rewards of industry are more than commensurate with its efficacy; the attraction of higher profits and higher wages turns upon their shores, from all the other quarters of the globe, a never-ebbing tide of capital and labour; their progress is the most rapid that the world ever saw.

The United Kingdom presents a different picture. Here the rewards of industry are not commensurate with its efficacy. The tide of capital and labour recedes from the British shores.⁶

In the late 1870s and early 1880s, such observations were still being made. In 1879, in an article destined to be widely and sometimes angrily quoted by his contemporaries, William Gladstone wrote

of the menace which in the prospective development of her resources America offers to the commercial supremacy of England. On this subject I will only say that it is she alone who, at a coming time, can and probably will wrest from us our commercial supremacy. . . .We have no more title against her than Venice or Genoa or Holland has had against us. . . .⁷

⁵March 8, 1851; quoted in J. H. Clapham, An Economic History of Modern Britain, Vol. II, Free Trade and Steel, 1850-1866 (New York: The Macmillan Company, 1932), 10.

⁶Quoted in "Ritortus," "The Imperialism of British Trade: Part I," 141.

⁷"Kin Beyond the Sea," North American Review (1879); quoted in Allen, Great Britain and the United States, 82. Allusions to, and paraphrases of, this remark were frequent in the British press in the late nineteenth century; see below, passim.

By 1879, however, it was no longer possible to make such statements without being controversial. The Great Depression, which had begun in 1873, had produced a wave of introspective analyses and foreign comparisons. Free Trade was coming under heavy attack and its antithesis, Fair Trade,⁸ was beginning to win considerable support. As a competent and cautious analyst of Britain's economic situation wrote: "a not inconsiderable section of the community both hope and expect" that Britain would re-adopt a system of protective tariffs.

The most loyal and patient free-traders are not without serious cause for discontent with the existing condition of things. . . . Free trade is now more than at any previous period on its trial. The crisis is pregnant with important issues. . . .⁹

One of those issues was the alleged American challenge to British economic superiority.¹⁰ While, in the last decades of the nineteenth century and later, numerous predictions of American economic greatness continued to be made in the characteristic future mode, a new sense of imminent danger began to appear in many observations on America. There were

⁸For the sake of consistency I will capitalize both the phrase "Fair Trade" (which was always capitalized) and the phrase "Free Trade" (which appeared in a variety of ways) except when the latter term appears in some other fashion in a direct quotation.

⁹James Stephen Jeans, England's Supremacy: Its Sources, Economics, and Dangers (London: Longmans, Green, and Co., 1885), 115-116.

¹⁰It is not without significance that most of the earlier statements above were quoted by British writers of the late nineteenth century.

not a few who argued that the often-predicted American assumption of economic supremacy was at hand. They were angered by the apparent complacency of Gladstone's statement and others like it. The vigorously-debated issue of the American challenge, and the broader debate over British fiscal policy of which it was a part, were indications that by the end of the 1870s the British were becoming aware of, and very sensitive to, important changes in the nineteenth-century economy. British discussion of the American challenge occurred against the background, first, of the Great Depression, and secondly, of Britain's loss of the industrial-commercial monopoly she had long enjoyed.

In 1873 the great mid-Victorian economic boom came to an end.¹¹ For the next two decades and more, the economic

¹¹The literature on the Great Depression is extensive and increasing. As Derek H. Aldcroft has written: "In the last few years the period 1870-1914 has become as popular as the classical industrial revolution as a field for scholarly study." The book which Aldcroft edited, The Development of British Industry and Foreign Competition, 1875-1914 (London: George Allen & Unwin Ltd., 1968), is the best introduction to the role of foreign competition during the Great Depression. It provides case studies of ten major British industries. Its use for this dissertation is limited, however, by the fact that the contributors are primarily concerned with the entrepreneurial response to foreign competition. Important also, but with similar limitations, are two articles by David E. Novak and Matthew Simon, "Some Dimensions of the American Commercial Invasion of Europe, 1871-1914: An Introductory Essay," Journal of Economic History, XXIV (1964), 591-605; and "Commercial Responses to the American Export Invasion, 1871-1914: An Essay in Attitudinal History," Explorations in Entrepreneurial History, Second Series, III (Winter, 1966), 121-47. A recent general treatment of the period can be found in the first ten chapters of William Ashworth, An Economic History of England, 1870-1939 (London: Methuen & Co., Ltd., 1960); it is more concerned with questions of long-term growth and response, as is much of the recent work, than with the

indices by which the British were accustomed to measure their economic performance all declined. Reliable statistics on the home market and on invisible exports (profits from shipping, banking, insurance, foreign investments, and so forth)--indicators which would have helped to maintain confidence--were not available at the time. The British public had therefore grown accustomed to gauging its economic well-being almost exclusively by means of foreign trade figures and the profit-loss statements of such key concerns as the textile, metals, and shipping industries. Gladstone typified this attitude when he wrote that, though he recognized the importance of the home market, "foreign trade is none the less the main instigator of progressive industry and enterprise in every domestic department.... ."¹² These accepted indicators declined throughout the 1870s, reaching bottom in 1879, and this led to the extensive public interest in and debate of economic questions which characterized the last Victorian generation.

particular features of the Great Depression. A summary of the current debate over the Great Depression can be found in Charles Wilson, "Economy and Society in Late Victorian Britain," Economic History Review, Second Series, XVIII (August, 1965), 183-98. For a more descriptive approach to the Great Depression, consult J. H. Clapham, An Economic History of Modern Britain, Vol. II, Free Trade and Steel, 1850-1866, and Vol. III, Machines and National Rivalries (1887-1914) with an Epilogue (1914-1929) (New York: The Macmillan Company, 1932, 1938); and the excellent collection of material in W.H.B. Court, British Economic History, 1870-1914: Commentary and Documents (Cambridge: The University Press, 1965).

¹²William E. Gladstone, "Free Trade, Railways, and the Growth of Commerce," Nineteenth Century, VII (February, 1880), 375.

Coinciding with the Great Depression was the appearance of commercial and industrial rivals. It had become obvious to nearly everyone in Britain that the British commercial-industrial monopoly was a thing of the past. Even before 1873 Britain had had to face new rivals in certain industrial products, chiefly textiles. The United States, France, Belgium, and other countries had found it relatively easy to establish the unsophisticated factories required for the production of the cruder sorts of textiles; soon they were selling these in competition with British goods both in their home and in foreign markets. In certain other manufactures also, especially in those which involved new inventions, Britain had found that other nations could successfully compete with her (the American sewing machine, for example, was highly successful throughout the world by the time of the Civil War). But it was particularly the events which marked the decades following the Civil War--the unification of Germany, American continental expansion, the rise of economic nationalism, the economic dislocations which periodically affected the world economy during the late nineteenth century--which made international economic competition intense for the first time.

German unification had proved to be a very effective stimulus to industrialization and the search for foreign markets. The British first became concerned about the German threat in the mid-1880s. Their alarm declined during the comparatively prosperous years in Britain between 1886 and 1891 and then increased again in the renewed depression of the early 1890s. It reached a crescendo in 1896, marked by

the publication of E. E. Williams' Made in Germany.¹³

Recognition of the American danger had come even earlier. The conclusion of the Civil War was followed by a wave of railroad building which brought the far-flung regions of the continent into a fruitful economic union. This was accompanied by a rapid growth of population, the result in part of a tremendous influx of immigrants; the rapid growth of manufacturing industries; an enormous expansion of agricultural exports, followed by impressive increases in the export of manufactured goods. Small wonder then that some British observers began to reassess the traditional forecasts about the United States and to bring them up to date. Concern about the American challenge made its appearance in the 1870s. It ebbed and flowed during the 1880s and 1890s and then reached its peak in the so-called "American invasion" of about 1897-1903.

The British, then, had clearly become aware by the last decades of the nineteenth century that they faced two serious competitors, two rivals for economic pre-eminence. They responded to these rivalries, however, in significantly different ways. The debates about these two challenges were distinct and marked by decidedly different characteristics.

The German rivalry was considered by the British to be something sinister. In his autobiography the poet Robert

¹³For the British reaction to German competition, see Ross J.S. Hoffman, Great Britain and the German Trade Rivalry, 1875-1914 (Philadelphia: University of Pennsylvania Press, 1933).

Graves discusses his prep school days at Charterhouse a few years before World War I and comments that the German implications of his middle name, von Ranke, presented certain difficulties, for

Businessmen's sons, at this time, used to discuss hotly the threat, and even the necessity, of a trade war with the Reich. "German" meant "dirty German." It meant: "cheap, shoddy goods competing with our sterling industries." It also meant military menace, Prussianism, useless philosophy, tedious scholarship, music-loving and sabre-rattling.¹⁴

German rivalry stimulated British self-examination in such areas as technical education and up-to-date business methods, but it also stirred up hostile national feelings. This hostility grew all the more intense after the mid-1890s as Anglo-German diplomatic tensions increased.

The American rivalry, though it prompted occasional vitriolic commentaries, was debated in a very different atmosphere. British views of the American challenge could not be limited to a jealous and narrow observance of increased sales in this or that market; the Anglo-American relationship was much too complex for such a possibility. In the first place, though it was probably truer of the British than of the Americans, neither felt that the other was foreign in the full sense of the term.¹⁵ One part of the English mind had

¹⁴Good-bye to All That (rev. ed.; Garden City, New York: Doubleday Anchor Books, 1957), 39.

¹⁵For example, the prominent British economist, Robert Giffen, wrote of "the United States--and our leading foreign competitors. . . ." "The Dream of a British Zollverein," Nineteenth Century, LI (May, 1902), 700.

always been both possessive and patronizing with regard to America. If the United States were destined for future greatness, was this not, most Englishmen would have asked, the result of the combination of unlimited resources and British traits? Were not these Americans, these future economic leaders, also Anglo-Saxons, cousins to the British, even "Brother Jonathon"? Secondly, by the mid-1890s at the latest, many in England had come to believe that the United States had reached maturity and was now a fit partner for Britain in the task of civilizing the world. The older nation might look upon the deeds of her offspring with a mixture of awe and pleasure, horror and chagrin, but she did not doubt that it was ready to take its place in the world alongside its parent.¹⁶

The British, of course, could not fail to recognize the ever-increasing industrial capacity of the United States: its ability not only to satisfy the domestic demand for manufactures but also to export--for the first time on a significant scale--manufactured goods to the neutral markets of the world, to Britain's colonial possessions, and even to Great Britain

¹⁶The Times frequently referred to Americans as "our kinsmen" and a quotation from the New York Herald which appeared in The Times illustrates what was also the prevalent English view: "If the younger brother sometimes makes himself disagreeable, he none the less respects his elder brother, and the elder brother is now showing himself respectful of the younger and quite willing to let him have his own way. . . ." The Times, July 2, 1897, 5. Many other examples of such feelings can be found in Bradford Perkins, The Great Rapprochement: England and the United States, 1895-1914 (New York: Atheneum, 1968); and in Allen, Great Britain and the United States.

herself. These were the pivotal points for British discussions of the American challenge. But the close relationship of the two nations made it impossible to avoid raising also a host of related questions about American resources, character, the fiscal system, and so forth. More concretely, the special nature of the Anglo-American relationship meant that few Englishmen could confront such issues as the American tariff, American textiles in Latin America, American hammers in Australia, or American coal in London without attempting to analyze the curiously successful (or outrageous) American system of protection; the high (or low) quality of life of the American workingman; the real (or only apparent) prosperity of the American people. Beyond these there were also more general comparisons of the British with the American economic system and attempts, explicit or implicit, to compare the overall economic strength of the two nations.

What had been only prophecy before the 1870s was--as British observers measured American economic strength during subsequent decades--coming ever closer to reality. The United States seemed to be bidding to take Britain's place as the leading economic power of the world. This inevitably raised new questions for the British. In their raising of these new questions, and in the answers they attempted to supply, can be seen the American challenge of the late-nineteenth and early-twentieth centuries. My intention in this dissertation is to explore, by examining representative organs of the British press, the response of British public

opinion to this emerging American challenge to British economic supremacy in the period from 1873 to 1903.

Public opinion can be defined and dealt with in a number of ways. Attention in this dissertation will be focused upon a very narrow segment of the British population for several reasons. The late Victorians themselves had an elitist view as to the formation and dissemination of public opinion. Furthermore, it was only this recognized elite which concerned itself in a comprehensive way with the implications of the American challenge.

A satisfactory description of this opinion-making elite was furnished by the astute political observer, James Bryce. In both The American Commonwealth, in which he compared public opinion in Britain and the United States, and again in Modern Democracies, Bryce devoted considerable attention to this important aspect of modern politics. In the latter work he defined public opinion as

the aggregate of the views men hold regarding matters that affect or interest the community. Thus understood, it is a congeries of all sorts of discrepant notions, beliefs, fancies, prejudices, aspirations. It is confused, incoherent, amorphous, varying from day to day and week to week. But in the midst of this diversity and confusion every question as it rises into importance is subjected to a process of consolidation and clarification until there emerge and take definite shape certain views, or sets of interconnected views, each held and advocated in common by bodies of citizens.¹⁷

Bryce believed that "those who make public opinion" were the

¹⁷James Bryce, Modern Democracies (2 vols.; New York: The Macmillan Company, 1921), I, 153-54.

"journalists and other public writers, and a small fringe of other persons, chiefly professional men, who think and talk constantly about public affairs."¹⁸ It was "an exceedingly small percentage" of the citizenry "who practically make opinion. They know the facts, they think out and marshall and set forth, by word or pen, the arguments meant to influence the public."¹⁹

The outlet for this opinion-making elite in late nineteenth-century England was what R.C.K. Ensor has called the "dignified phase of English journalism." This included the monthly and quarterly journals of opinion "which everybody in the government read, and to which the best writers of the day contributed"²⁰ as well as the better newspapers. It is these organs of the British press which constitute the principal sources for this study. Specifically, they are (1) newspapers: The Times and The Economist; (2) some of the leading journals of opinion: The Contemporary Review, The Edinburgh Review, The Fortnightly Review, The National Review, The Nineteenth Century,²¹ and The Quarterly Review; and (3) certain books and pamphlets which were addressed directly to the American challenge.

¹⁸James Bryce, The American Commonwealth (new rev. ed.; 2 vols.; New York: The Macmillan Company, 1913), II, 321-22.

¹⁹Bryce, Modern Democracies, I, 156-57.

²⁰R.C.K. Ensor, England: 1870-1914 (Oxford: The Clarendon Press, 1936), 144-45.

²¹I will cite it by this title throughout the dissertation, though beginning January, 1901, the title became The Nineteenth Century and After.

Other sources, Hansard for example, might well have been consulted. No doubt they would have yielded additional examples and illustrations. It seems reasonable to suspect, however, that their use would not add important new dimensions to what is already an overcrowded study. In short, the sources which have been consulted seem sufficiently representative of that British public opinion which is the focus of this dissertation.

Certain topics which were part of, or related to, the American challenge will either be ignored or will receive only occasional attention. Some of them, such as the American agricultural invasion, were of major importance and their exclusion has been dictated by limitations of space. Others are ignored or slighted for the same reason, or because they are of only indirect importance, or because they were too technical to have been widely discussed among the public. Such topics include: general emigration from the British Isles and Colonies to the United States; American securities on the London Stock Exchange; bimetallism; the money market and the flow of gold; and American fiscal policy other than the tariff.

The basic organization of this study is chronological. The period 1873-1903 falls into three fairly distinct groups of years, each of which has its own dominant characteristics. During the years 1873-1889 discussion of the American challenge tended to be general and wide-ranging. The most consistent theme was not that the United States was already

successful in direct competition with Britain but that industrial America was growing rapidly while Britain stagnated.

The years 1890-1897 witnessed some continuation of these same themes, but the period was dominated by two American developments, ultra-protectionism and dramatically increased industrial production, especially in iron and steel. The former threatened British producers with the loss of the American market through allegedly prohibitive duties and with the loss of at least some neutral markets through American reciprocity treaties with other nations. The latter endangered not only the American and neutral markets but British markets as well. The beginnings of the excited public discussions of the American challenge which marked the first years of the new century may be traced to 1897, which witnessed both the passage of the Dingley Tariff and sizeable shipments of American iron and steel to British and other foreign buyers.

A new dimension was added to the American challenge when, as a result of the Spanish-American War, the United States took on the trappings of a world power and expressed new ambitions for American commerce, industry, and shipping. This coincided with sufficiently large-scale American exports to Britain of goods and capital to touch off the controversy over the alleged "American invasion" of England. It coincided also with those economic problems which were caused by the Boer War and with the crisis of morale which accompanied it. British concern over the American challenge

reached its peak in the years 1901-1902. However, the years 1898-1903, important and dramatic though they were, are treated briefly in this study in the form of an epilogue, since an account of those years is already available.²²

British alarm over the "American invasion" receded rapidly after 1903. Joseph Chamberlain and his followers kept discussion of the American and other challenges alive for a time, for the bogey of foreign competition was the core of the fiscal reformers' tactics. But the decisive victory of Free Trade in the election of 1906 effectively put an end to public concern over the American challenge. The pre-war decade was an exceedingly prosperous one for Britain, as it was also for the United States. American economic growth and competition did not disappear between 1906 and 1914; it simply ceased to disturb the British. Above all, a much more ominous threat began to monopolize British attention. The international situation forced them to focus their attention closely on the German danger, which was a military as well as an economic threat to Great Britain.

²²See, for the fullest treatment, Richard H. Heindel, The American Impact on Great Britain, 1898-1914 (Philadelphia: University of Pennsylvania Press, 1940), Chs. VII-IX. There is also useful information in John H. Dunning, American Investment in British Manufacturing Industry (London: George Allen & Unwin, Ltd., 1958).

PART I. 1873-1889

CHAPTER I

THE CONDITIONS FOR DEBATE EMERGE

The Quiet Years, 1873-77

The Great Depression stimulated British concern about American economic competition, but was not the cause of it. Such competition had been brought to the attention of the British well before the economic debacle of late 1873. As early as 1840 testimony had been given before a Select Committee of the House of Commons which made it clear that the United States had sold cotton goods in the East and West Indies, in Brazil, and in other South American markets "at a lower price than the same kind of goods made in England could be sold for."¹ As a result of pre-Civil War tariffs, the Americans had become more and more self-sufficient in the production of leather and wooden articles, of iron ware, and of tools and implements. After capturing a large part of the domestic market from European suppliers, American manufacturers had turned their attention to foreign markets.

American-made boots and shoes, carriages, and numerous other articles of manufacture now [1873] compete in the world's markets with the cheapest product of British workshops, while in the case of mining and agricultural tools and implements, the American products have driven the British out of the field all

¹David Syme, "Restrictions on Trade from a Colonial Point of View," Fortnightly, XIII n.s. (April, 1873), 449.

over the world.²

The British hardware industry was particularly alarmed at American competition, according to Ryland's Iron Trades Journal (1871):

The edge-tool trade is well sustained, and we have less of the effects of American competition. That competition is severe, however, is a fact that cannot be ignored, and it applies to many other branches than that of edge-tools. Every Canadian season affords unmistakable evidence that some additional article in English hardware is being supplanted by the produce of Northern States, and it is notorious how largely American wares are rivalling those of the mother country in other of our colonial possessions, as well as upon the Continent. . . . The whole subject is one demanding the serious attention of our manufacturers.³

Outside of the specific British trades already experiencing American competition, however, the subject does not seem to have led to any important public discussion during the early years of the Great Depression. By 1874 there were businessmen who worried that the depressed state of trade might last for some time and that this might be an indication of previously unsuspected weaknesses in the British economy. But the experts ridiculed them as alarmists, insisting that there was no cause for concern and that Britain was accumulating unparalleled riches. In particular, Britain's leading economists and statisticians insisted throughout the seventies that English trade was not suffering from foreign competition.⁴ The Times scoffed at "the excessive excitement

²Ibid., 449-50.

³Quoted ibid., 450-51 and note.

⁴L.J. Jennings, "English Trade and Foreign Competition," Quarterly, CLII (July, 1881), 271-74.

which seems to exist in some quarters about the depression of trade" (December 27, 1878) and insisted that there was "no evidence that the amount of the permanent foreign demand is changed" (January 11, 1879). When, in 1879, Gladstone envisioned the future greatness of the United States, he was sufficiently confident that Britain would retain her marvelous prosperity that he professed he was not inclined "to murmur at the prospect" of American supremacy.⁵ While, on the one hand, the experts denied that American competition played any part in Britain's economic distress, they also took pains to make clear to the British public that the United States was suffering as much as or even more than Britain from the unhappy trade conditions which followed the panics of 1873.⁶ With the exception of a few random remarks,⁷ allegations of American competition or superiority played no part in the very limited and mild-tempered public discussions of the Great Depression during the years 1873-1877.

The most widely accepted explanations of trade depression

⁵All quoted ibid.

⁶See Horace White, "The Financial Crisis in America," Fortnightly, XIX n.s. (June, 1876), 810-29; and Robert Giffen, "The Liquidations of 1873-6," Fortnightly, XXII n.s. (October, 1877), 510-25. The question whether Britain or the United States suffered longer or more intensely from depressions was constantly debated during the late nineteenth century; see below passim.

⁷Britain's technical and industrial libraries and museums, it was charged, were inferior to those of the United States and France. Lyon Playfair, "On Patents and the New Patent Bill," Nineteenth Century, I (April, 1877), 324-25. And it was pointed out that the United States had a greater attraction for British emigrants than did the British colonies. Sir Julius Vogel, "Greater or Lesser Britain," Nineteenth Century, I (July, 1877), 825.

during the 1870s and 1880s had little or nothing to do with foreign competition or British incapacity. Commercial crises were believed to be naturally recurrent; they were held to be periodic adjustments that affected all commercial nations.⁸ They were explained as nothing more than a serious fall in prices, which resulted from the curtailment of the purchasing power of Britain's customers and which had little real effect on the productive powers of the nation.⁹ Or they were held to be the result of overproduction and perhaps of foreign tariffs, but in any case foreign competition as a cause of depression was minimized.¹⁰

The Reaction against Complacency

Beginning in 1878, more than four years after the panics which had launched the Great Depression, a reaction set in against the relatively complacent analyses of the experts. Prices, profits, and foreign trade had continued to plummet since 1873. They reached their nadir in 1879. Despite a general economic revival between 1879 and 1882, there were many in Britain who by now were thoroughly alarmed. The British experienced a crisis of confidence in the late 1870s

⁸Giffen, "The Liquidations of 1873-6," (1877), 510-25; and James Stephen Jeans, England's Supremacy, 116.

⁹Giffen, "The Liquidations of 1873-6," (1877) and "Trade Depression and Low Prices," Contemporary, XLVII (June, 1885), 800-22; Thomas Brassey, "The Depression of Trade," Nineteenth Century, V (May, 1879), 788-90.

¹⁰Archibald R. Colquhoun, "An Anglo-Chinese Commerical Alliance," National, VI (October, 1885), 162.

and early 1880s. They were exposed in the press to a noisy debate over what one writer called the "conditions and prospects of England."¹¹

By 1878 there were some who were concerned that, as Goldwin Smith put it, "English commerce . . . may have passed its acme."¹² One of the causes behind such concern was foreign rivalry; according to another analyst,

There is probably no question in which greater interest is felt at the present time in the several centres of manufacturing industry than that of foreign competition.¹³

Even Gladstone, who in 1879 had looked forward to American supremacy with equanimity, in 1881 allegedly "no longer exults over a prosperity which advances by 'leaps and bounds,' but warns the nation that its progress appears to have been arrested."¹⁴

It was this crisis of confidence in the proper and successful operation of the British economy which produced the Fair Trade movement, which sought the re-establishment of protective duties in order that Britain could negotiate favorable commercial treaties with the high-tariff nations of the world.¹⁵ One of the first targets of the Fair Traders was

¹¹Jennings, "English Trade and Foreign Competition," 271-74.

¹²Goldwin Smith, "The Greatness of England," Contemporary, XXXIV (December, 1878), 8.

¹³James Henderson, "England and America as Manufacturing Competitors," Contemporary, XXXIII (October, 1878), 458.

¹⁴Jennings, "English Trade and Foreign Competition," 271-74.

¹⁵See B. H. Brown, The Tariff Reform Movement in Great Britain, 1881-1895 (New York: Columbia University Press, 1943).

those who denied the existence of a depression or the dangers of foreign tariffs and competition. L. J. Jennings complained that British manufacturers failed to recognize their need for state aid to enable them to compete with foreign goods in the English market. "They are," he wrote, "if anything, disposed to underrate the extent of competition to which they are now exposed at home. The newspapers, as a rule, make very light of it, and speak of the importations of manufactured goods as utterly insignificant."¹⁶

The special object of Jennings wrath was The Times. Since 1874 it "has systematically denied that any depression whatever has existed in trade, just as it does at the momentIt is only by an occasional accident that the truth has leaked out," as in the following example from The Times (March 30, 1881):

Although the special falling off in our exports to foreign countries may be partly explained by the foreign loan collapse of the last few years and in other ways, which do not imply a diminished taste for our manufactures abroad, the decline seems so general and so large that there can be little doubt of its being produced to some extent by the hostile tariffs of foreign countries and the advances they have themselves made in manufacturing. It is becoming important, therefore, to have attention directed to new markets.

He also criticized The Economist for its remark that only slightly more than one-tenth of British imports in 1880 had consisted of manufactures. How trifling this sounds,

¹⁶Jennings, "English Trade and Foreign Competition," 271-74.

¹⁷L. J. Jennings, "Fair Trade and British Labour," Quarterly, CLII (October, 1881), 564-65.

Jennings remarked, until one realized that it amounted to at least £40,000,000 and possibly as much as £70,000,000.¹⁸

The Fair Traders claimed that the disregard expressed by leading papers and politicians amounted to a conspiracy of silence. According to Jennings, "it is, in fact, by a policy of suppression and misrepresentation that politicians of the Chamberlain school are now seeking to mislead the nation in regard to its position and prospects."¹⁹ W. Farrer Ecroyd, whose 1879 pamphlet "Self-Help" is usually taken to mark the beginning of the Fair Trade movement, was even more explicit in accusing politicians of intentionally ignoring a dangerous situation. He charged that the Liberal Party habitually admired foreigners and deprecated the English, and hence it was marked by "its readiness to accept the relative decline of this country and future greatness of America" For this reason the Liberals refused to countenance any talk of an American threat.²⁰ Sir Edward Sullivan argued that those who deliberately ignored the American and other perils had selfish reasons for opposing an honest discussion of the issues. Such opposition, he claimed, came from the large import houses which made greater profits from foreign than from English goods; it came from the stock-brokers, the

¹⁸Jennings, "English Trade and Foreign Competition," 271-74.

¹⁹Jennings, "Fair Trade and British Labour," 564. Ironically, identical accusations were aimed at Chamberlain when he launched his own campaign for tariff reform in 1903.

²⁰W. Farrer Ecroyd, "Fair Trade," Nineteenth Century, X (October, 1881), 604-05.

London bankers, and the promoters of foreign enterprises who had never before been so prosperous; but "above all" it came from the politicians who believed that Free Trade had brought them prosperity and political popularity.²¹

The acrimonious campaign of the Fair Traders focused public attention on such issues as foreign competition, the loss of foreign markets due to protective tariffs, and the alleged superior growth rate of protected industrial economies. The atmosphere of the mid-1880s was vividly expressed by James Stephen Jeans, though he himself did not doubt Britain's ability to weather the storm. "There is abroad a very uneasy and restless spirit," he wrote, a fear of impending trouble which was turning people away from the economic principles which had contented them in the past. "From many different quarters it is proclaimed that England's sun is setting, or about to set," simply because England had been experiencing an undeniable but "relative depression of trade." Yet Jeans had to admit that foreign rivalry was real, and he saw it as a natural result of British achievement. England had established the techniques of industrial production; her ships carried abroad machinery to be utilized and products to be imitated. Without such English assistance "our former customers would not have become so largely our competitors as they are today." He acknowledged that in textiles, in iron and steel, "in the mechanical arts, and in a hundred minor

²¹ Sir Edward Sullivan, "Isolated Free Trade: Part I," Nineteenth Century, X (August, 1881), 179.

industries, her pre-eminence has been threatened, and in some cases with unmistakable success."²²

A Royal Commission had been appointed in 1885 to "inquire into the extent, nature, and probable causes of the depression now or recently existing in various branches of trade and industry." Jeans recognized that the Fair Traders hoped that the Commission would recommend protection and that even "the most loyal and patient free-traders are not without serious cause for discontent with the existing condition of things." "Free trade," he concluded, "is now more than at any previous period on its trial. The crisis is pregnant with important issues, and it needs that we should . . . examine their character, scope, and tendencies."²³ Among the issues which were examined by Jeans and by many other Englishmen during the 1870s and 1880s were the implications of the new economic world which had only recently come into being, and the American challenge which was one of the results of the new economic conditions.

Recognition of a New Economic World

That England had been rudely awakened to the fact that she was no longer the only industrial nation in the world was a common theme in the 1870s and 1880s, possibly because the argument could be put to use by both Fair and Free Traders.

²²Jeans, England's Supremacy, vi, 159, 233-34.

²³Ibid., 115-16.

It was frequently pointed out that England had enjoyed a considerable head start over other nations, industrializing under relatively secure circumstances while Continental Europe was in nearly constant upheaval and the United States had scarcely begun to develop itself. But during the more tranquil years since the American Civil War and the unification of Germany

the free intercommunication of the people of Europe and America, the growth of capital abroad, the adoption everywhere of our improved machinery and industrial organization, the spread of technical knowledge in other countries in a greater degree than in England, have all combined to sap the pre-eminent position we have held as the best and chapest producers of those manufactures which enter most largely into general consumption.²⁴

The advantages which England had enjoyed at mid-century

were advantages which we could not enjoy forever, and it would be folly to suppose that they can return. The trade of the world will henceforth be divided among different nations, and the most enterprising and the most skilful will get the lion's share of it, provided that a fair field and no favour is afforded to all.²⁵

Others recognized that "England has little or no superiority

²⁴"The Lancashire Cotton-Strike," Quarterly, CXLVI (July, 1878), 501; Jennings, "English Trade and Foreign Competition," 306; Jeans, England's Supremacy, 160-61; Lord Penzance, "Collapse of the Free Trade Argument," Nineteenth Century, XX (September, 1886), 338; Prince P. Kropotkin, "The Breakdown of Our Industrial System," Nineteenth Century, XXIII (April, 1888), 512-13.

²⁵Jennings, "English Trade and Foreign Competition," 306. Those who opposed factory legislation also found the debate timely: "It is shallow conceit on our part to continue pooh-poohing foreign competition, and to imagine that we can safely continue to work shorter hours than any country in the world." Archibald W. Finlayson, "Falling Trade and Factory Legislation," Nineteenth Century, XIII (June, 1883), 973.

in processes or machinery that may not be--if they have not already been--borrowed or stolen by our neighbours." The time had passed when each industry was exclusively centered in one place and had its exclusive secrets.²⁶

Many of the more moderate observers insisted that the industrial states of the world could co-exist in prosperity. And the close economic ties between Britain and the United States were clearly recognized; the depressed conditions taught many Englishmen that British and American prosperity were complementary rather than competitive.²⁷ But the new awareness of the proliferation of industry could produce more somber conclusions as well:

we no longer monopolize the markets of the world as we formerly did. . . .commercial supremacy . . . has gone from us forever. We have played the noble part of teachers and leaders to the race, and now our pupils have grown to manhood and set up in business on their own accounts, as indeed they might have been expected to do. Did we think to hold the world's trade for ever, with the crowded continental nations, our brethren in race at peace,--with America developing into a mighty nation, and Greater Britain beyond the seas! Preposterous. The actual result was inevitable; and our foreign trade must be shared with these, our competitors and whilom pupils.²⁸

²⁶Jeans, England's Supremacy, 160-61. See generally Leonard H. Courtney, "Migration of Industrial Centres," Fortnightly, XXIV n.s.(December, 1878), 801-20, which echoed Berkeley's "Westward the Course of Empire" and anticipated the writings of George Bettany and Brooks Adams, both of which are discussed below.

²⁷Jeans, England's Supremacy, 160-61. In the Introduction to this work Jeans insisted that "no apology is needed--certainly none is offered--for the prominence assigned to the great American Republic in the course of the present work." He believed America's agricultural and industrial development were likely to be controlling factors in the future of England and Europe; xvi-xvii.

²⁸Joseph G. Horner, "Technical Education and Foreign Competition," Quarterly, CLXVII (October, 1888), 470.

Another aspect of the new economic world of the late nineteenth century was the transportation revolution, without which the United States would not have loomed so large as it did on the British economic horizon. It was called to British attention chiefly by the writings of the American economist, Edward Atkinson, though subsequently his ideas were put to considerable use by English writers also. Atkinson's central theme was that the railroad had greatly extended the agricultural area of the United States and had tied together the agricultural and industrial areas into a single economic unit. The creation of this large market fostered the mechanization of agriculture and the growth of manufacturing and led to a more rapid exploitation of America's rich mineral resources.²⁹ This American transportation system, described by an Englishman as being "as perfect and complete as it is possible to imagine, being, in fact, unsurpassed . . . ,"³⁰ had not only led to the mechanization of continental America but had also made available the markets of the world.³¹ Particularly important from the British point of view was the fact that rail connections had brought American textile mills closer to the cotton fields. Even the cotton destined for Liverpool

²⁹Edward Atkinson, "The Railroads of the United States: Their Effects on Farming and Production in That Country and in Great Britain," Fortnightly, XXVIII n.s. (July, 1880), 93-100.

³⁰James Keith, "Our Great Competitor," Nineteenth Century, XXI (June, 1887), 793.

³¹Atkinson, "The Railroads of the United States," 93-100.

now frequently went first by rail to New York. This gave New England manufacturers a price advantage over their English competitors equal to the cost of transatlantic shipment and related charges. Such advantage enabled American manufacturers to pay higher wages and still meet the price of foreign competitors in neutral markets.³²

In Atkinson's view, the transportation revolution was the most significant development of the recent past.

When the time shall come for the history of the last half of the nineteenth century to be written, it will be no true record if it omits from among the chief factors more potent than almost all beside, the American railroad and the English steam-ship; and, from among the greatest names, the names of those who organized and developed them.³³

The easy accessibility of world markets, made possible by American railroads and English steamships, was to play a major role in the growth of British concern about the American economic challenge.

In the 1880s British journals were crowded with articles celebrating what a bountiful nature had accomplished across the Atlantic. That America's natural resources were immense, as Atkinson had pointed out, no intelligent person could deny. They were so much greater than the resources of Britain that, if only the United States could produce as cheaply as Britain, she was bound to be a successful competitor.³⁴ Atkinson had

³² Edward Atkinson, "An American View of American Competition," Fortnightly, XXV n.s. (March, 1879), 391.

³³ Atkinson, "Railroads of the United States," 104.

³⁴ F. Bulkeley Johnson, "English Supremacy in the East," Nineteenth Century, XVI (September, 1884), 493-94

pointed to the vastness of agricultural America: Texas had as much farm land as Britain and Germany combined.³⁵ Others noted the rapid growth of the American population.³⁶

It was, however, especially the abundant and accessible industrial resources of America which attracted most attention.

The prosperity of a nation depends largely, if not entirely, on its natural advantages and the extent to which its people avail themselves of them. Until recently our insular position, our supplies of coal and iron, and our climate have been advantages which have been unrivalled, and our people availed themselves of them with energy, ingenuity, and judgment enough to place them at the head of the commercial world. Now the United States are demonstrating that in some respects their natural advantages are equal to our own, and in others superior, and they are developing them with a determination to make the most of them. . . . Under such conditions it is not surprising that competition is keen and the struggle for supremacy severe.³⁷

At least as early as the mid-1860s, during the debate whether Britain might some day exhaust her coal supplies, there had been men who

pointed out that foreign countries were rivalling us in this or that branch of industry hitherto our own, and that the United States were beginning to realize the value of their extensive and apparently illimitable coal and iron fields, which, as soon as the growth of population should render them practically available, must give our most formidable rivals an irresistible and constantly increasing advantage.³⁸

³⁵Atkinson, "Railroads of the United States," 93-100.

³⁶See, among many examples, Robert Giffen, "The Foreign Trade of the United States" (1881) in Robert Giffen, Essays in Finance (Second Series; New York: G.P. Putnam's Sons, 1886), 130-31.

³⁷Thomas Whitaker, "The Proposals of the Fair Trade League," Nineteenth Century, X (October, 1881), 627.

³⁸Percy Greg, "Financial Prospects," Quarterly, CLVII (January, 1884), 61.

Vivian Hussey, a member of the Royal Commission appointed to inquire into the future of Britain's coal supply, had visited the United States in 1877. He was greatly impressed by the magnitude of the coal fields, the quality of the coal, and the cheapness of mining it. Since these were among the major controlling factors of nearly every manufacturing industry, Hussey predicted that the United States would become "not only entirely self-supporting in all branches of manufacture, but also a largely exporting country. . . ." ³⁹

The chapter devoted to coal in Jeans' book on English supremacy opened with this quotation:

Other countries--notably, our most formidable rival, the United States--have supplies of coal incomparably larger than our own and can raise that coal at a decidedly lower cost; and coal is at once so indispensable, so primary, and so bulky an article that it transfers the industrial sceptre of the world to the land where it is found in the greatest abundance and at the lowest price.

Jeans was in full agreement; he remarked that the nation with the most and the cheapest coal "is undoubtedly the best equipped for the industrial race, and is the most likely to excel therein." ⁴⁰ Blessed with so rich a supply of the primary ingredient of industry, blessed with the complementary resource of iron ore in sufficient quantities as to make the United States independent of Britain for iron and steel, ⁴¹ and blessed more than any other area of the world with facili-

³⁹Quoted in Leonard H. Courtney, "Migration of Industrial Centres," 817-18.

⁴⁰Quoting W.R.Greg; Jeans, England's Supremacy, 358-59.

⁴¹Vivian Hussey, quoted in Leonard H. Courtney, "Migration of Industrial Centres," 817-18.

ties for producing the third major ingredient of the nineteenth century industrial economy, cotton,⁴² the United States presented an awe-inspiring sight to British observers.

The resources of America represented her potential, which all agreed was enormous. But the discussions which took place in England during the Great Depression quite properly focused primarily on performance. In this case, too, the American record was impressive, though the implications proved to be ambiguous enough to support a vigorous debate which lasted for more than two decades. Given America's resources and her growing population, it was nearly universally admitted that some day the scale of American foreign trade would surpass that of Britain. Robert Giffen, one of the most respected economists in England and a staunch defender of the soundness of the British economy in the late nineteenth century, could see clearly that

at a point, it is plain, the United States can hardly fail to overtake us and export more, aggregate for aggregate. . . .In the international trade of the world it is becoming a larger factor. . . . The next few years at the recent rate of progress must witness in this way a great change in the international position of the United States.⁴³

The rate of American progress to which Giffen referred was nowhere better illustrated than in Jeans' study of

⁴²F. Bulkeley Johnson, "English Supremacy in the East," 493-94.

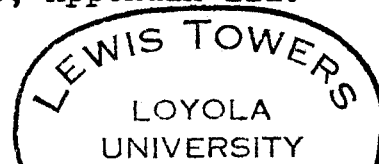
⁴³Giffen, "The Foreign Trade of the United States," 130-31. Giffen, however, consistently denied that the United States would ever surpass Great Britain on a per capita trade basis.

English supremacy. Examining the period 1850-1880, and basing his study on United States census figures, Jeans calculated that the number of American manufacturing establishments had doubled; the capital invested in these establishments had increased by more than 423%; the number of hands employed had increased by more than 185%; and the gross value of American manufactures had increased by more than 426%.⁴⁴ To his book on English progress, written in honor of Victoria's 1887 Jubilee, Michael G. Mulhall appended a brief "Conclusion" in which he wrote that "the growth of the United Kingdom in the last 50 years is unprecedented in Europe, but much less than that of the United States." In support of his statement he offered the following figures:

	1850	1880	Increase (%)
Population	17,070,000	50,156,000	195
Wealth (millions £)	1,686	9,495	458
Trade (millions £)	64	309	383
Steam, horse-power	2,020,000	10,600,000	425
Banking (millions £)	212	530	150

Even when Mulhall compared these figures with their British counterparts on a per capita basis, as Giffen and other confident Englishmen always did, he found that the United States surpassed Britain in the accumulation of wealth and in the production of energy. The United States produced 77,740,000 foot-tons daily (1,430 per capita) while the United Kingdom

⁴⁴Jeans, England's Supremacy, 411, 436, Appendix III.



produced 49,870,000 (1,380 per capita).⁴⁵

Jeans and others studied those American industries which might compete with the basic industries of Britain, textiles and iron, and they found the record no less impressive. World consumption of cotton had risen very substantially since 1860. "The lion's share" of that increase was taken by the United States and Continental Europe. The European rate of increase was three times, and that of the United States was four times, as great as that of Britain. In 1870-71, Britain had consumed 48.8% of the world's cotton while the United States had consumed only 18.1%. By 1882-83, British consumption had declined to 37.7% and American consumption had risen to 23.6%.⁴⁶ In the woolen industry, the number of hands employed in the United States had risen from 21,342 in 1840 to 161,557 in 1880. Invested capital had increased from sixteen to thirty-two millions sterling, and the value of the products from twenty to fifty-three millions sterling.⁴⁷ Finally, Jeans noted that while the silk industry had increased the number of factories by more than 460% and the number of hands by more than 1700%, "a rate of progress rare even in the industrial annals of America," he

⁴⁵Michael G. Mulhall, Fifty Years of National Progress, 1837-1887 (London: George Routledge and Sons, 1887), 63, 65, 125-26.

⁴⁶Thomas Ellison, The Cotton Trade of Great Britain (London: Effingham Wilson, 1886), 102-04.

⁴⁷Jeans, England's Supremacy, 213.

dolefully concluded that "it is by no means cheering to consider the remarkable progress of the United States in the light of our own unquestionable loss of ground."⁴⁸

The comparative growth pattern in the iron and steel industry was, if anything, even more alarming. Lowthian Bell, a leading British ironmaster and frequent spokesman for the industry, became alarmed when American imports of British iron declined from 1,224,144 tons in 1872 to only 608,923 tons in 1873. In 1874 he travelled to the United States to inspect the coal fields, the ore mines, and the manufacturing establishments. He obtained further first-hand evidence in 1876 when he was in the United States as a British representative to the Philadelphia International Exhibition. Since he had first become concerned about American production, Bell had seen the relative positions of Britain and the United States change drastically. In 1870 Britain had produced 51.6% of the world's pig-iron and the United States 14.4%. By 1884 the United States was producing 20.2% and Britain 38.4%. Put in terms of relative growth (as Bell did put them), these figures represented an American increase of more than 40% and a British decline of more than 25%. In absolute figures, Britain produced 5,963,000 tons of pig-iron

⁴⁸Ibid., 225-31. It should be pointed out, however, that in none of these branches of the textile industry did the British note much serious competition from the United States except in the American market itself (see below); the point was that British industry seemed stagnant when compared with the American during the seventies and eighties.

in 1870 and the United States 1,665,000 tons. In 1884 Britain produced 7,812,000 tons and the United States 4,097,000 tons.⁴⁹ If more recent figures had been available to Bell, the results would have been considerably more startling; in 1889 American production of pig-iron surpassed the British output. The case of steel was similar. In 1840 the production of the United Kingdom and of the United States were respectively 245,000 tons and 64,000 tons. In 1884 the respective figures were 1,780,000 tons and 1,540,000 tons.⁵⁰ By 1889 it could be said that "we do not monopolize the steel trade of the world. The annual production of Bessemer steel in the United States already exceeds our own. . . ."⁵¹

Even before Atkinson had pointed out to his English readers the role of the railroads in the creation of a single, enormous American economic unit, there was some recognition in England that the scale of the new industrial economy of the United States was of considerable significance. One writer noted "the extent to which manufacturing of every kind is monopolized by huge companies or corporations" in the United States. He speculated that there might be a

⁴⁹Lowthian Bell, "The Iron and Steel Trade," Fortnightly, XLI, n.s.(January, 1887), 88 and 90-91. Comparable figures appeared in Mulhall, Fifty Years of National Progress, 56, though here the comparison was taken back to 1840 and hence was even more dramatic. Mulhall was a prolific celebrator of the material accomplishments of the United Kingdom; the title of the work above is typical and indicative of his style.

⁵⁰Ibid.

⁵¹Joseph G. Horner, "The Age of Steel," Quarterly, CLXIX (July, 1889), 161. The United States produced 2,936,033 tons to 2,012,794 for Britain.

connection between American business organization and American competition. "It would be interesting," he thought, "to know how far the isolated efforts which are now being made, both in our own and foreign markets, to obtain a foothold by the manufacturers of America, are to be traced to the same systematic determination to beat down opposition at whatever cost" which marked the operation of the large corporations in their own home market.⁵²

By the mid-1880s several other English writers were also expressing concern over the respective scales of the British and the American economies. Jeans called attention to the advantages of large-scale production and noted that the largest watch and textile factories in the world were in Massachusetts. His study demonstrated generally that American manufacturing establishments were growing both larger and more profitable, and he concluded that "manufacturing on a large scale has a great deal to do with economy of working."⁵³

If manufacturing on a large scale served to reduce the cost of production, distribution on a large scale was the necessary corollary. Therefore, "the cardinal aim and condition of success in modern commerce is the acquisition of an extended market." Germany, and above all, the United States already possessed extended markets at home which, furthermore,

⁵²Henderson, "England and America as Economic Competitors," 468-69.

⁵³Jeans, England's Supremacy, 133 and 230; see also generally Chs. IX and XXV.

were protected by high tariffs. With such assurance, manufacturers there could produce on a very large and efficient scale and, should there be any product left over after home demand had been satisfied, they could "dump" their excess at or below cost price without suffering. English manufacturers, on the other hand, were unable to adopt the new and more efficient techniques of large-scale production, for their home market was small and even that small market was unprotected against foreign dumping.⁵⁴ Two abortive movements resulted from observations such as these: the attempt to form industrial trusts and the attempt to secure an extended and protected market for British manufacturers through the formation of an imperial customs union. Both attracted considerable attention in the nineties and later, but in the early years of the Great Depression the question of scale was a rather fresh revelation.

That a new economic world had come into being since mid-century was, then, an inescapable fact for the British. As the American, Edward Atkinson, wrote:

The time has gone by for anyone to dream of relegating the people of this country to the single pursuit of agriculture . . . or even to the crude forms of manufacture. Foreign nations can never again supply us with any large proportion of the staple goods or wares that constitute the principal part of our use of manufactured articles. . . .

It is beginning to be perceived that not only the great moral curse of slavery has been removed, but that in that removal perhaps the greatest

⁵⁴Roper Lethbridge, "Is an Imperial Fiscal Policy Possible?" National, V (March, 1885), 34-37.

industrial revolution ever accomplished has happened.⁵⁵

Though the British perspective regarding the prodigious growth of industrial America might have been different, the conclusions that were drawn could be quite similar, as the following remarks show:

We do not attach importance to the mere circumstance that America is sending to this country a small quantity of cotton goods. It is not the displacement of a certain proportion of our manufactures in the home market, that is the serious feature in this fact. But it is the indication conveyed by it, that the United States market is no longer wide enough for the United States manufacturer; that he is compelled to seek an outlet in neutral markets for his surplus production, and that he understands, but does not quail before, all the consequences of the new position in which he finds himself placed.⁵⁶

Far from quailing, the American demonstrated an audacious expansiveness. Nowhere was it better illustrated than in the exhibition of American manufactures which was staged in London in the Jubilee Year, 1887. This was the first such exhibition ever put on in a foreign country without any government assistance, but financed solely by private individuals. As an Englishman admiringly commented:

The mere fact that such an exhibition, solely composed of our great competitor's wares, should take place in the capital of the commercial world, and in the heart of our empire, shows the pluck of the Americans and their determination to cut us ultimately out of the running, even in our own country, if they possibly can.⁵⁷

⁵⁵Atkinson, "An American View of American Competition," 395.

⁵⁶"The Lancashire Cotton-Strike," 501-03.

⁵⁷Keith, "Our Great Competitor," 798-99.

British Supremacy Reasserted

However impressive the American record might have been, few in Britain were prepared to despair for the future. On the contrary, the dominant view was that Britain was still far ahead of the United States. A combination of industrial growth and high tariffs was costing the British the loss of part of the rich American market, but as for competition anywhere else, most people in Britain would have sneered.

The optimistic view of British trade which had angered the Fair Traders in the late 1870s continued to find frequent expression in the 1880s. British trade statistics proved that "an immense market is still open to our productions and that British energy has hitherto surmounted opposition."⁵⁸ Giffen never tired of asserting that the decline of export statistics since 1873 reflected a reduction of prices but not of the volume of goods sold abroad.⁵⁹ In 1881 Mulhall claimed that "this little island of ours is the most productive spot on the globe; it is a vast workshop," and his statistical compilations were sufficient to prove it "foolish, if not criminal, for people to go about with lamentations for the decline of British industry. . . ."⁶⁰ Jeans, after

⁵⁸T.E. Cliffe Leslie, "The History and Future of Interest and Profit," Fortnightly, XXX n.s.(November, 1881), 650.

⁵⁹See, for example, the portion of his report to the Board of Trade quoted in Brassey, "Depression of Trade," 788-90.

⁶⁰Michael G. Mulhall, "Two Decades of Industry," Contemporary, XL (November, 1881), 823-4.

his detailed survey of the British economy in 1885, believed that "the present condition of England, although not perhaps relatively so pre-eminent as it has been, is positively as good as, if not better than, at any former period." Britain was making "real progress."⁶¹

As the 1887 Jubilee drew closer, such views were expressed with some frequency. Mulhall's Jubilee book demonstrated that Britain surpassed the United States on a per capita basis in most categories.⁶² Many others were written in the same vein. According to one of these, it was true, as the Fair Traders were insisting, "that we stand alone in the wide world of commerce, but where? Why, at the very head of the nations. In the international race there is not even a good second to us."⁶³

America might have splendid resources but Britain possessed certain advantages also. Following a tour of American manufacturing centers, James Henderson cited six advantages which British manufacturers possessed over their rivals:

⁶¹Jeans, England's Supremacy, XIX, XXII.

⁶²Mulhall, Fifty Years of National Progress, 125-26.

⁶³George W. Medley, "The Lion's Share of the World's Trade," Nineteenth Century, XIX (June, 1886), 808. See also Leone Levi, "The Material Growth of the United Kingdom from 1836 to 1886," Fortnightly, XLI n.s. (June, 1887), 913-27; and the shallow article by Sidney C. Buxton, "Fair Trade and Free Trade: A Dialogue," Contemporary, XL (December, 1881) in which "Faithful" lectures "Pliable" with such statements as: "I have some official figures at home which show that during the last twenty years England has experienced a greater progressive increase than America in imports and exports. . . ."

(1) lower rates of interest; (2) lower costs of buildings and machinery; (3) lower wages; (4) a sounder system of national finance and taxation; (5) lower cost of fuel and light; and (6) readier access to markets. With such advantages, British manufacturers "have no need to sit down in despair, under the idea that it is hopeless to strive against American competition, and that the industrial strength of the old country is played out."⁶⁴

In the late 1870s, Henderson went on, England had been rife with rumors that "our markets were to be swamped with American iron and steel" and reports "that the American cotton manufacturers are far outstripping their Lancashire competitors, not only in foreign markets, but also in Manchester herself." But it was foolish to assume that because a few shipments of American calicoes may have sold to advantage in this country, therefore we must assume ourselves beaten."⁶⁵ The amount of manufactures shipped by the United States to Britain was insignificant compared with what she accepted in return. Thomas Whitaker demonstrated that in 1880 Britain exported to the United States ~~£~~25,000,000 worth, and received

⁶⁴Henderson, "England and America as Manufacturing Competitors," 460. That American producers faced higher costs of all kinds--usually attributed to the tariff--was a constant theme in the British press. But, though American governmental methods of getting and spending often appalled the British, it was probably more frequently asserted that the tax burden in the United States was lighter than in Britain; see below, passim.

⁶⁵Ibid., 458-61.

in return less than £3,000,000 worth. Britain sent America £10,980,360 worth of iron and steel goods and £3,653,237 worth of cotton goods. American exports to Britain were respectively £403,234 and £704,291. When the total exports of the two nations were compared, it was clear just how far behind Britain the United States was. In 1878 United States exports amounted to \$377,837,040; those of Britain \$1,087,358,000. And, whereas the British total included a large percentage of manufactured goods, the American exports consisted chiefly of food and raw materials;⁶⁶ only 15% of the American total represented manufactured goods and only 2% of the total manufactured product of the United States was exported.⁶⁷ Whitaker seemed justified when he remarked that American exports "are but a drop in the bucket of the world's trade when compared with ours."⁶⁸

Jeans compared the exports of 1880 on a per capita basis and found that the United Kingdom figure (in pounds, shillings, and pence) was 6 9 5 while the figure for the United States was only 3 8 0. "American trade, as tested by exports," he wrote, "has not been so flourishing as that of England."⁶⁹ Mulhall claimed that on a per capita basis

⁶⁶Whitaker, "Proposals of the Fair Trade League," 618, 625-26.

⁶⁷Jeans, England's Supremacy, 96.

⁶⁸Whitaker, "Proposals of the Fair Trade League," 626.

⁶⁹Jeans, England's Supremacy, 117.

American foreign trade increased by 50% between 1850 and 1880, but that of the United Kingdom increased by 200%.⁷⁰ Like Jeans and Mulhall, Giffen could recognize the amazing growth of the United States and still remain confident that "a proper comparison shows the progress of the [United Kingdom] to be by far the most remarkable." Citing the same per capita export figures, he concluded that "by far the most striking illustration of increase is still represented by the United Kingdom, the great free-trade country, and the United States are really nowhere."⁷¹

Furthermore, the English expressed some doubts about the soundness of American economic growth. Jeans suggested that it was to some extent artificially fostered and therefore unhealthy.⁷² Giffen went so far as to make the growing American exports a symptom of weakness. While Britain's wealth was augmented by "invisible exports" and especially by shipping, the increase of American exports was required to pay foreigner carriers who transported both the exports and the imports of the United States.⁷³

If the American lack of shipping was looked upon as a disadvantage by some English observers, still more so was the American tariff. It was that which really kept the United

⁷⁰Mulhall, Fifty Years of National Progress, 125-26.

⁷¹Giffen, "The Foreign Trade of the United States," 122, 127.

⁷²Jeans, England's Supremacy, 412.

⁷³Giffen, "The Foreign Trade of the United States," 125-29.

States from competing with Britain for the trade of the world. For all their adoption of labor-saving machinery and up-to-date methods, under a tariff the Americans could not produce as cheaply as their British counterparts. "They may revel in the monopoly of their home market, but they cannot compete in neutral markets with a country which adopted a free-trade policy."⁷⁴

The Americans might be prospering, so went a widely-held British view, but they could hardly be considered serious rivals. Thomas Whitaker presented the view quite vividly:

We can send 3,000 miles across the sea for her raw cotton for our artisans to work up, and for her corn, beef, and bacon to feed them on while they are doing it; and when it is manufactured into piece goods we can send it back again 3,000 or 4,000 miles, and sell it to every country surrounding the nation from which we got the raw material and the food. It is only by imposing heavy duties that they can keep us out of their own territory, and even then they cannot prevent us from selling some of our goods to the very people who grew the material from which we made them. Outside their own boundaries, where they cease to be propped up by duties, they are not in the race with us.⁷⁵

A surprising denial of American competition or even the possibility of such competition came from Andrew Carnegie. Carnegie, who frequently visited Britain and had begun to contribute to the leading British journals, insisted that it was unnecessary "for England to trouble herself about any serious competition from America in the markets of the world

⁷⁴Brassey, "The Depression of Trade," 788-90; Jeans, England's Supremacy, 96, 203-04, 214; Ellison, The Cotton Trade of Great Britain, 105, 111-15, 317.

⁷⁵Whitaker, "Proposals of the Fair Trade League," 624-25.

for many generations to come, tariff or no tariff." Carnegie's argument was that only very high wages could keep American workers from moving to the fertile and unsettled prairies. Until the land was gone and the United States was as densely populated as Britain, there could be no cheap labour and thus no American competition.⁷⁶

In the 1870s and 1880s, during the depths of the Great Depression, the British became aware that they were living in a new economic world, a world that was considerably less idyllic than the one which had passed away. It was no longer a world inhabited solely by customers; formidable rivals had appeared, none more awesome than the United States. And, while there was a substantial confident reaction to the unsettling onset of the Great Depression, there also appeared an excited awareness of the American challenge, which now will be discussed more fully.

⁷⁶ Andrew Carnegie, "As Others See Us," Fortnightly, XXI n.s. (February, 1882), 162-63. Carnegie, of course, was instrumental not too many years later in making the United States an occasionally serious competitor; see below, passim.

CHAPTER II

THE AMERICAN CHALLENGE IDENTIFIED

The American Challenge

In 1879, at the nadir of the Great Depression, Edward Atkinson offered British readers this thought-provoking statement:

The competition between the United States and the manufacturing nations of Europe, and especially Great Britain, for the leading places in supplying with machine-made fabrics those nations that do not as yet use modern machinery is a subject that now excites great interest. It is not important in reference to the particular circumstances of the present time, but much more important when we consider the momentous consequences that might follow the establishment on the part of the United States of a permanent manufacturing supremacy.¹

British interest in such questions as the relative wealth and prosperity of Great Britain and the United States might have been little more than tea-time chatter had it not been for this fear of American manufacturing supremacy. An America prospering amidst its abundant natural resources was a perfect complement to industrial Britain; the pattern of exchanging American food and raw materials had long been a fundamental part of the British economy. But an industrial United States beginning to look beyond its borders, and the slightest hint that America might establish permanent

¹Atkinson, "An American View of American Competition," 383.

manufacturing supremacy, were sufficient to cause the British to look at American wealth and resources and even occasional forays into the world market in a totally different light. Considered in its broadest form, the American challenge comprised all these questions and more. British alarm, some of which has already been noted in the above sections of this study, appeared in two distinct waves between 1873 and 1889. The first of these coincided with the low point of the Great Depression. Atkinson's statement was among the earliest expressions of the American challenge, but was far from being the only one.

Yorkshire and Lancashire were called the "Brain of England" but if an Englishman "were to look for an activity of industrial intelligence rivalling that of our older northern counties," wrote Mark Pattison, "I suspect we all think of one . . . and that is the United States."² "I think," he continued,

there is evidence of an inventive genius at work in the new world more alive and more keen than in the old country. . . . Time was when all the new discoveries in practical science, and improvements in machinery and engineering, were first made in this country. This is not so now. It is from America that all the new inventions, as all the new jokes, come to us.³

The sewing machine and the washing machine, now indispensable in English households, came from the United States. A

²Mark Pattison, "Industrial Shortcomings," Fortnightly, XXVIII n.s. (December, 1880), 739.

³Ibid., 743.

Scotsman invented the reaping machine but it required the American McCormick to show the English how to make it work.

What a length of time we went on quite content with the old smooth-bore muzzle-loading musket! The American took the matter in hand, and in a few years the weapon was totally transformed. From American brains issued the revolver and the Winchester repeating-rifle while Birmingham workshops were vying with each other as to which could turn out the greatest number of guns exactly to pattern.

The English may make more machines and better finished ones, but the Americans invent new ones while the English are quite content to copy the old models.⁴

Thirty years earlier Britain nearly monopolized the industrial world, but by this time Belgium, France and the United States had British machinery, and workmen, and capital "and they are sending us a yearly increasing surplus that is driving our own goods out of our own markets. . . ." ⁵ But some saw that it was "not France, or Belgium, or even Germany, whose competition is likely to urge us close, but America."⁶ When there was talk of foreign industrial threats in the late 1870s, it was most frequently the United States "from which the most serious and dangerous rivalry is to be anticipated."⁷ By 1879, according to the Quarterly Review,

⁴Ibid., 743-44.

⁵Sullivan, "Isolated Free Trade," 162.

⁶Pattison, "Industrial Shortcomings," 742.

⁷Henderson, "England and America as Manufacturing Competitors," 458.

"the model Republic of America, having successfully fostered her industries against our competition, has become our rival in foreign markets, and is even underselling us in our own."⁸

The allegations were frequently general, but there were specific concerns behind them. Atkinson's comment above had been sparked by Anglo-American textile competition. When the Quarterly Review insisted that foreign competition was the real cause of depression, it offered as proof declining British textile sales not only in protected markets but in neutral ones, while "the United States are already engaged in active rivalry with us for the supply of neutral markets, after having virtually driven us out of their own. . . ." Just at the time when the markets of industrial nations were being closed to Britain by tariffs, the United States "threaten us with a keen struggle for those portions of our cotton trade [neutral markets] which alone show signs of future expansion." Since American goods were being purchased even in England, it was apparent that American textile manufacturers could produce as well and as cheaply as the British.⁹

It was also during these early years of the Great Depression that several other issues emerged which later were to become quite controversial. The first was the question whether America's "favorable" balance of trade and Britain's "unfavorable" balance proved American superiority. L. J.

⁸"Principles at Stake," Quarterly, CXLVIII (October, 1879), 591.

⁹"Lancashire Cotton-Strike," 510.

Jennings answered in the affirmative. In 1880 the United Kingdom purchased £90,000,000 worth of American goods of all kinds while selling to the United States less than £23,000,000 worth. This obviously established an indebtedness. How was it paid? "We have about 2000 millions invested in American and other foreign bonds, and with this we are paying for a large part of the difference between our imports and our exports." The remainder was paid for by the export of British gold. English capital was thus being drained away to the United States.¹⁰

There was also a different kind of drain on British resources, however; one that could not be denied. British manufacturers and workers were migrating to the United States, the former so as to be able to sell inside the protected market and the latter to find employment. The textile town of Bradford was perhaps more seriously affected by the Great Depression than any other major British manufacturing center.

Bradford is nearly ruined, and both manufacturers and operatives are emigrating to America; and, as far as our political economists are concerned, Bradford, say they, "must be patient and watchful, and must look out for new markets and new produce for her looms." But. . . whilst our manufacturers are patiently looking out for new markets, our starving operatives are emigrating to America.¹¹

The English were shocked and dismayed at such news as the important dress-goods manufacturers, Messrs. Priestly and

¹⁰Jennings, "English Trade and Foreign Competition," 290-91.

¹¹Sullivan, "Isolated Free Trade," 170.

¹²Jennings, "Fair Trade and British Labour," 552.

Sons, establishing mills in Philadelphia in 1881. When the firm crossed the Atlantic it took with it its equipment and its workmen.¹²

There was a very considerable decline of alarmist articles in the British press after 1881, the result perhaps of the upward movement of the British economy after 1879. Even the return of bad times from 1883 to 1886 and the appointment in 1885 of the Royal Commission on the causes of the depression of trade elicited no substantial debate about the American challenge. In 1885 only Jeans' book, England's Supremacy, brought important information about American industrial growth before the British public.¹³

Jeans believed that America deserved considerable attention in any study of the British economy. "In the whole range of politico-economic inquiry, there is perhaps no more interesting subject of study than that of the competition for manufacturing and industrial supremacy between England and the United States."¹⁴ Though he took some pains to make clear the heavy preponderance of food and raw materials among the United States exports,¹⁵ he also pointed out that America's rapidly growing industry already considerably

¹²Jennings, "Fair Trade and British Labour," 552.

¹³I am basing this remark, of course, only on my examination of the journals of opinion used for the dissertation and those books published during the period that I was able to consult.

¹⁴Jeans, England's Supremacy, xvi-xvii.

¹⁵Ibid., 85.

exceeded the value of American agriculture. England's manufacturing interests may have outstripped the growth of every other modern country, but not that of the United States.¹⁶

By way of illustration he offered the following figures (expressed in millions sterling):

	England		United States	
	1870	1880	1870	1880
Commerce	547	692	172	301
Manufactures	642	758	677	1074
Mining	46	65	38	72
Agriculture	260	240	415	525
Carrying Trade	78	121	115	141
Banking	80	108	40	52
Sundries	34	40	17	25
Totals	1687	2024	1474	2190

Thus, during the decade 1870-1880, the increase in the annual value of the various economic activities of the United States was £716,000,000; that of the United Kingdom was £337,000,000.¹⁷

We have already seen that Jeans was quite confident concerning Britain's ability to hold its own under the new economic conditions. Nevertheless he was able to write that

America, for example, has recently proved that she can produce certain leading articles, and has actually produced and sold them as cheaply as they can be made in England, notwithstanding that those same articles continue to be burdened, as regards their import, with duties varying from 40 to 70 per cent. of their value. Nay more, America has been able to sell in Canada, in competition with English manufacturers, commodities that are excluded from her

¹⁶Ibid., 377.

¹⁷Ibid., 340 and n.2, 341.

own shores by the prohibitory tariff already referred to. . . .If the nations that we have been the means very largely of educating up to their present proficiency in manufactures once pre-eminently our own, succeed in beating us in neutral markets, our position will indeed be beset with great peril.¹⁸

The controversy over the American challenge remained alive during 1886. Ellison mentioned the "great deal of fuss" that was being made over the competition of the United States.¹⁹ And Lord Penzance, contemplating Mulhall's statistics of industrial growth, commented that Britain was about to be overtaken and by none other than "our own keen-witted cousins the Americans."²⁰ It was, however, in the following two years that the American challenge was most strongly presented.

In 1887 there was information that the pattern of direct Anglo-American trade continued to shift in favor of the United States,²¹ and further warnings that America and Germany were "the growing competitors of England." Lowthian Bell, the iron and steel magnate, announced that "the recent progress of industry in the United States of America excels that of any other nation in the world."²³ An 1887 article was devoted

¹⁸Ibid., 160-61.

¹⁹Ellison, The Cotton Trade of Great Britain, 114.

²⁰Penzance, "The Free-Trade Idolatry: Parts I and II," Nineteenth Century, XIX (March, 1886), 380-81, and (April, 1886), 593.

²¹George Howell, "The State of Our Trade," Fortnightly, XLI n.s.(February, 1887), 202.

²²C. A. Cripps, "Competition and Free Trade," National, X (November, 1887), 342.

²³Bell, "The Iron and Steel Trade," 88.

to the American challenge. "Our Great Competitor" was dedicated to the proposition that, with all the advantages enjoyed by the United States, it was a tribute to Great Britain that she was still in the running. Still, the author's words were somber enough, as seen from the English point of view:

It need not surprise us to find that a country possessing such advantages, and under such conditions, should at the present time be at least twenty years ahead of Great Britain in invention, and in commercial and political advancement.

It will, I think, be at once seen where we have to look for our rival, in commerce and in arts and sciences, in the present as well as in the future; and that, if we can by any possibility keep ahead of or even abreast with the people of the United States, we can quite well afford to ignore all the other older and slower nationalities of the world, and still hold our own in progress and prosperity.

On our present lines, however, it is utterly impossible for us to keep pace with our great competitor, and it behoves our people, and especially our statesman, to be stirring.

For him, Britain was too encumbered by tradition, too prone to look to the past instead of to the future. Such lethargy could prove fatal to Great Britain.

Our great competitor--being the greatest agricultural manufacturing, and mining nation in the world, with unlimited credit, and being besides "essentially British," and having eight thousand daily newspapers--is no unworthy foeman; we must therefore be up and doing while there is yet time ²⁴ to clear the decks of all unnecessary dead-weight.

However, Prince Peter Kropotkin, who was at this time living in England and a regular contributor on scientific matters to the Nineteenth Century, suggested in the strongest possible terms that the American challenge was unavoidable and irresistible, British efforts notwithstanding:

²⁴James Keith, "Our Great Competitor," Nineteenth Century, XXI (June, 1887), 792-93, 798-99.

a terrible competitor to all European manufacturing countries has grown up of late in the United States. In proportion as their immense territory is more and more appropriated by the few, and free land of any value becomes as difficult to get as it is in Europe, manufactures must grow in the States; and they are growing at such a speed--an American speed--that in a very few years the neutral markets will be invaded by American goods. The monopoly of the first-comers in the industrial field has ceased to exist. And it will exist no more, whatever may be the spasmodic efforts made to return to a state of things already belonging to the domain of history. New ways, new issues, must be searched: the past has lived, and it will live no more.²⁵

British Loss of the American Market

The most tangible aspect of the American challenge was the loss of substantial portions of the American market by British producers. When the establishment of the Fair Trade movement led to a renewal of fiscal controversy in England, this was one of the few things upon which both sides could agree. According to Thomas Brassey, an ardent advocate of Free Trade:

As the United States had long been the most important consumer of British goods, our exclusion from that market, by the combined operation of the prohibitory tariff and the diminished purchasing power of the American people, was a grave, and it has thus proved a permanent, disaster.²⁶

W. Farrer Ecroyd, the father of the Fair Trade movement,

²⁵Prince Peter Kropotkin, "The Breakdown of Our Industrial System," Nineteenth Century, XXIII (April, 1888), 503.

²⁶Brassey, "The Depression of Trade," 790. Brassey pointed to the 52% growth of American manufacturing since 1860 as evidence, not of America's ability to match England industrially, but of reckless overproduction which led to the reaction which caused a worldwide depression of prices and purchasing power; 788-90.

wrote that

The nations from whom we chiefly purchase our supply of food [that was, overwhelmingly, the United States], and who, until the past five or six years, took large quantities of our manufactures in payment, will now take them from us no longer. They have shut out our goods by heavy duties, and, by thus excluding us from competition, have encouraged the extension of their own manufactures till they can supply themselves.²⁷

Though the British fiscal debate naturally led to the emphasis of the American tariff as a cause of bad British trade, the British also recognized that American manufacturing competition was an equally important factor behind reduced British sales in the American market.²⁸ Some were prepared to write off the American market as already lost, consoling themselves with the thought that colonial demand was growing so strong that, by itself, it could keep British trade in a prosperous condition for a century or more.²⁹

²⁷Quoted in Jennings, "English Trade and Foreign Competition," 302-03. Ecroyd believed the situation far worse than most people realized. Recent bad weather and harvests in Europe had led to greatly swollen imports of American food. But, since the American tariff prevented Britain from paying for the additional food by exporting manufactures to the United States, Britain had to give up capital by transferring securities to the United States. Thus, to the initial loss of £30 million--his estimate of the cost of British tariffs to Britain--must be added a second £30 million--the amount of British manufacturing which, except for the American tariff, would have been engendered by the increased food purchases. Everybody lost, British manufacturers, British farmers, and the British nation through the transfer of capital. Ecroyd, "Fair Trade," 589-91. Jennings also emphasized the American tariff as the cause of the "crippled trade" of Great Britain. Jennings, English Trade and Foreign Competition, 303-05.

²⁸Stephen Williamson, "Bad Trade and Its Causes," Contemporary, XXXV (April, 1879), 121.

²⁹George Baden-Powell, "New Markets for British Products," Nineteenth Century, X (July, 1881), 43-55.

British exports to the United States were in fact declining substantially. The most recent figures available when the Fair Trade controversy began showed that British exports to the United States had dropped from £25,170,000 in 1865 to £19,985,000 in 1877.³⁰ In the period 1870-74, which included both the peak years of British trade and the first year of the Great Depression, the United States took 14.1% of Britain's total exports. In the period 1880-84, when the total value of British exports itself had declined considerably from the previous decade, the United States took only 12.2%.³¹ "The hard fact that stares us in the face," in the mid-1880s even more so than in the late 1870s, an Englishman concluded, "is that we cannot expect any very large expansion of our export trade to those [the protectionist] countries, for they are now able to manufacture goods for their own consumption, and even to cultivate an export trade."³²

Britain's basic industries, textiles and iron and steel, were both badly hurt by the loss of the American market. The textile industry had once found its American trade amply satisfying.³³ In 1870 the British had sold to the United States £2,674,697 worth of cotton manufactures. In 1876 the amount was only £1,275,788. Though the economists of Britain talked of a revival in 1880, cotton exports to the United

³⁰ Albert J. Leffingwell, "Free Trade, From an American Standpoint," Contemporary, XXXVIII (July, 1880), 60.

³¹ Howell, "The State of Our Trade," 202-03.

³² Ibid., 205.

³³ However, the textile industry was among the first to confront American tariffs and competition in the American market; the situation could be traced back to pre-Civil War days.

states in that year still amounted only to £1,748,645. The woolen industry was even harder hit. In 1872 Bradford, the center of the trade, had shipped to the United States woolen and worsted goods valued at £5,627,575. In 1880 the shipments were only £2,210,231. The British Trade Journal dispatched a man to the United States to discover why the demand for British textiles was falling off so badly. He attributed it not so much to the tariff as to the increased production of American mills and the failure of British manufacturers to consider the wants of their customers: "the English will not change their old ways and methods to suit the changes in fashions and styles. . . ." ³⁴

Ellison, in his study of the British cotton industry, lamented the American situation. "We have lost not only two-thirds of the business we did with them twenty-two years ago, but the vast amount of trade [that is, the natural increase] we should have done with them if they had been satisfied to keep on the old lines. . . ." ³⁵ Though the improvement in trade conditions between 1879 and 1883 had been accompanied by much larger American purchases of cotton goods, Ellison dreamed of what might have been. In 1853, when the American population had been only twenty-three million, Britain had sold them £4,273,000 worth of cotton goods. By 1883 that population had nearly doubled, but British exports

³⁴Jennings, "English Trade and Foreign Competition," 274-81.

³⁵Ellison, The Cotton Trade of Great Britain, 105.

amounted only to £3,474,000. There was no doubt, Ellison wrote, that if the United States were to return to a pre-Civil War type tariff, there would occur a very large increase in British cotton exports to America. But he noted that the increase would come almost exclusively in the finer types of goods and that

in all probability this gain to English cotton manufacturers would be in a great measure counterbalanced by a large increase in the imports of the lower medium and coarser descriptions of American cotton products into Great Britain. Lancashire can beat Lowell in the production of the finer makes of goods; but Lowell, if permitted to purchase her machinery in the cheapest market, would be able to beat Lancashire in many of the lower medium and coarser sorts.³⁶

In the woolen industry, the plight of Bradford has already been mentioned. Bradford producers were leaving to establish factories in the United States. The plight of the other centers of the industry was no better. From Liverpool, from Hull, and from other woolen towns came reports that exports had fallen by fifty percent. The drop was particularly disastrous because, stimulated by the boom which ended in 1872, such textile areas as Sheffield and South Yorkshire had invested enormous amounts of capital in preparation for increasing trade. Instead of increasing, trade had nearly disappeared "owing to various causes, particularly the American tariff," and the prospects of the British woolen towns was "gloomy."³⁷

³⁶Ibid., 157-58.

³⁷Jennings, "English Trade and Foreign Competition," 274-81; Jennings, "Fair Trade and British Labour," 575.

All branches of the trade were suffering, none more so than the carpet trade. Not too many years earlier, America had depended almost entirely on imported carpets. But in 1879, while the United States was importing less than \$200 worth of ingrain carpets, the city of Philadelphia alone manufactured more than twenty million yards of carpeting, mostly of this type. "Some idea of the growth of American competition may be had," it was said, "from the statement that the entire production of Great Britain was less than fourteen million yards." In other grades of carpeting the advance had been equally rapid. In 1873 the United States had imported nearly three million square yards of tapestry carpet. But that market had steadily dwindled until the

1873 . . .	2,958,000	square yards	
1874 . . .	2,099,000	"	"
1875 . . .	1,454,000	"	"
1876 . . .	546,000	"	"
1877 . . .	279,000	"	"
1878 . . .	94,000	"	"
1879 . . .	23,000	"	"

foreign trade in these carpets had been nearly destroyed. American production had increased correspondingly. Present production was about 8,500,000 square yards annually, but enough additional looms were in the process of construction and installation that the United States would soon be producing thirteen million yards.³⁸

The British silk and ribbon industry had faced serious

³⁸Leffingwell, "Free Trade, from an American Standpoint," 60.

competition before, chiefly from Continental manufacturers, but by 1879 the American nemesis was the focus of attention. Jeans' comments on the growth of the American silk industry have already been noted.³⁹ The impact of that growth on the British industry was widely discussed. Towns such as Coventry, Macclesfield, Bethnal Green, and many others had derived their prosperity chiefly from this trade. Now they were suffering terribly. In 1861 there had been eighty-four ribbon manufacturers in Coventry. And in the past "its silk goods were annually exported to the United States to the value of tens of thousands of pounds; now little or nothing is sent there."⁴⁰ As one manufacturer told Jennings:

Hostile tariffs . . . have driven us out of the field. We have sold the Americans our machinery; our goods we cannot sell them. I have never exported anything to the States since hostile tariffs came into operation.

In 1881 there were fewer than a dozen of the former eighty-four ribbon manufacturers left in Coventry. Coventry had been fortunate enough to acquire a new major industry, bicycle-making (which experienced its own "American invasion" in the nineties), but most of the other silk towns were slowly decaying.⁴¹

An 1875 American governmental report showed that the American silk trade had quadrupled since the passage of the

³⁹See above, 34-35.

⁴⁰Jennings, "Fair Trade and British Labour," 566-67.

⁴¹Ibid.

new tariff in 1864. In 1875 the United States produced silk goods to the value of more than \$20,000,000. The growth since 1875, said Jennings in 1880, had been even more rapid. In the silk, just as in the other trades, lamented Jennings, the story was the same: "progress under Protection in the United States; decline under so-called 'Free Trade' in England." The silk-weavers of Coventry, who had had their wages cut by from thirty to fifty percent, "are at a loss to understand how it happens that their fellow workmen across the Atlantic earn more money than they do, live in more comfortable homes, and are altogether better fed and cared for, and yet have never known the blessings of Free Trade."⁴²

In 1872 the United States imported 1,224,144 tons of iron and steel and their products, most of it from Great Britain. By 1875 these imports had declined to 141,079 tons.⁴³ In 1872 the United States had imported nearly 600,000 tons of iron and steel rails; in 1877 a mere twelve tons.⁴⁴ This reduced importation was partially the result of slackening demand; the importation of rails, particularly, fluctuated wildly in correspondence to the periodic railroad "booms." But another major factor was the amazingly rapid growth of the American iron and steel industry.⁴⁵ Vivian Hussey, after

⁴²Ibid., 567-68.

⁴³Bell, "The Iron and Steel Trade," 89.

⁴⁴Leffingwell, "Free Trade, from an American Standpoint," 60.

⁴⁵See above, 35-36.

touring the United States in 1877, reported that it was impossible that America should ever again rely on English iron or steel.⁴⁶ The iron-producing centers of England had, according to the trade journal which spoke for the industry, "lost foreign markets so effectually that our manufacturing supremacy has well-nigh become a thing of the past." Competitors, European as well as American, were at work everywhere. The British "see our legitimate markets in British colonies encroached upon, and foreign works supplying railways, &c. abroad, in competition with us, at far lower rates than they supply their home railways, where our competition is non-existent."

The United States was forcing out of its home market not only British iron and steel in its basic state but also the iron and steel products of certain skilled trades. The cutlery and hardware trades had brought fame and prosperity to Sheffield. The Great Depression brought steadily rising unemployment. One of the causes: "Formerly, not a knife or a pair of scissors could be found in the United States without the Sheffield stamp upon them. Now such articles may bear the Sheffield mark, but they are not made in Sheffield. They are turned out of American workshops."⁴⁷

The great ironmaster, Lowthian Bell, was led by the rapidly altering relation between the British and American industries to raise the question:

⁴⁷Jennings, "English Trade and Foreign Competition," 274-81.

If these rich and powerful States have placed themselves in a position to dispense from time to time, in a great measure, with our assistance in supplying the iron they consume, may we not fear that the day may come when they will meet us in all the neutral markets of the world, or even extinguish the furnaces of Cleveland and Cumberland, of Scotland and of Wales?

Bell was consciously exaggerating; he believed that no such thing was likely to happen so long as Britain was able to obtain the raw materials of the industry at their present cost. But he did expect that in the future the United States would command the markets of Canada and South America.⁴⁸

The English pottery industry, though less important than textiles or iron and steel, was suffering a no less serious depression caused by the loss of foreign markets. At the same time, Jennings wrote,

In the United States, the manufacture of pottery and porcelain is making rapid strides, and English workmen will no doubt take an interest in learning that the average remuneration of American pottery operatives is fully one hundred per cent. in excess of the wages paid in Europe for the same class of labour.

Even the young children employed in the American industry earned wages that would seem attractive to Englishmen. Protection was the national policy of the United States because, among other reasons, "the working men find that under it they are much better off than English workmen are under single-handed Free Trade."⁴⁹

⁴⁸ Bell, "The Iron and Steel Trade," 88.

⁴⁹ Jennings, "Fair Trade and British Labour," 574.

The American policy of protection, according to Ecroyd, affected Britain beyond reducing her exports and thus her prosperity. In effect, it allotted only the meaner labor tasks to the British workman while his American counterpart got the pleasanter and more artistic and higher-paid branches of trade, since finished goods were charged a heavier duty than semi-finished or unfinished ones.⁵⁰

Even more important was the fact that the American policy led to harmful fluctuations in the British economy. American iron duties were high enough to guarantee the growth of American ironworks sufficient to meet ordinary American demand. When, however, American demand outstripped domestic production as it frequently did during prosperous times, large quantities of British iron could be sold in America despite the heavy duties. These exports stimulated British capital investment, plant expansion, and wages not only in the iron industry but in another basic British industry, coal, as well. But excess American demand was frequently short-lived. When demand fell again to the level of American production and British exports declined or disappeared entirely, a very injurious reaction occurred throughout the entire British economy.⁵¹ American protection, then, was a major concern to the British even before the days of the McKinley and Dingley tariffs.

⁵⁰Ecroyd, "Fair Trade," 598-99.

⁵¹Ibid., 597.

Canada and the American Challenge

Canada played an important role in the British discussion of the American challenge. Ties between Canada and Great Britain were close. Canadian nationalism had a fairly long history but the Act of Confederation of 1867 which set the seal upon that nationalism was still a very recent event when the Great Depression began. Certain major events of 1879 served to make Canada a significant topic in the British press. That year brought the low point of the depression, the emergence of the heated debate over British fiscal policy which gave birth to the Fair Trade movement, and the passage by Canada of a protective tariff which was aimed chiefly at the United States but which affected Great Britain as well.⁵²

Anthony Trollope had written that when one traveled from the United States to Canada he passed "from a richer country into one that is poorer, from a great country into one that is less." And, he continued (in Goldwin Smith's paraphrase of his words), "You pass from a country embracing in itself the resources of a continent, into one which is a narrow section of that continent cut off commercially from the rest; you pass from a country which is a nation into a country which is not a nation."⁵³ Here, in this brief passage, was

⁵²For details of the interaction of the three countries, see John Bartlet Brebner, North Atlantic Triangle: The Interplay of Canada, the United States and Great Britain (New York: Columbia University Press, 1945).

⁵³Goldwin Smith, "The Political Destiny of Canada," Fortnightly, XXI n.s. (April, 1877), 454.

the epitome of Canada's plight as it was seen by Goldwin Smith. In frequent articles in British and American (and presumably Canadian also) periodicals, Smith carried on a campaign for the union of Canada and the United States. In a Britain desparately concerned with the loss of external outlets for its products, such talk was anathema.

Canada, Smith argued, could never become a nation in the fullest sense. As a political dependency of Great Britain, Canada was excluded from that which she most needed: "free access to the markets of her own continent. . . ." Since Canada was thus economically retarded, and since there was no meaningful outlet for Canadian nationalism and patriotism, most British emigrants went to the United States. Even those who went to Canada often migrated eventually to the United States, as did many native-born Canadians. But Smith professed to see that all this was changing and that

the ultimate union of Canada with the United States appears now to be morally certain. . . .The filaments of union are spreading daily. . . .Intercourse is being increased by the extension of railways; the ownership and management of the railways themselves is forming an American interest in Canada; New York is becoming the pleasure, and, to some extent, even the business, capital of Canadians; American watering-places are becoming their summer resort; the periodical literature of the States, which is conducted with extraordinary spirit and ability, is extending its circulation on the northern side of the line; and the Canadians who settle in the States are multiplying the links of family connection between the two countries.

Smith justified the unification of the two countries on two grounds: first, that it would be a great economic advantage for Canada; and, secondly, it would be a great diplomatic

advantage for Britain by introducing into American councils an element quite friendly to Britain and thus offering the greatest guarantee against Anglo-American war.⁵⁴ However much the British might have favored the rather intangible benefits of the latter ground, they were only too well aware that any economic advantage conferred upon Canada by the unification of North America would be also a boon to the United States and a disaster for Britain.

Canada's reciprocity agreement with the United States had terminated in 1866. Subsequently Canada was deluged with the output of America's burgeoning industrial system while the United States closed its doors to certain of the foods and raw material which made up the bulk of Canadian exports. The system of protective tariffs which Canada adopted in 1879 was thus aimed chiefly at the United States. But the British were concerned that it would impede the flow of British goods into Canada at a time when Britain needed all the outlets she could find. And British Free Traders were greatly disturbed that Canada was setting so bad an example at a time when the British Government was working diligently to promote Free Trade throughout the world.

Canadians felt that, given the American economic invasion which they were facing, they had no choice but to adopt protection. They found some support among those in England who did not believe that protection was an economic heresy.

⁵⁴Ibid., 458-59.

As one of these Englishmen explained, industry grew and Canada prospered as never before during the American Civil War when inflated war-time prices served to keep Canadians from buying American goods. When the price deflation came, following the panics of 1873, the Americans attempted to maintain domestic prices while still disposing of the increasing volume of products by one or both of the following devices. They offered their wares in Canada at or below cost, at prices as much as thirty percent below the prices charged in the United States. Some American manufacturers simply demanded an outright payment, determined as a percentage of Canadian sales, as the condition for their remaining out of the Canadian market. Canadian producers were helpless since the American tariff kept them from entering the United States on similar terms.⁵⁵

Between the beginning of depression in 1873 and 1878, total Canadian foreign trade declined from \$217,304,516 to \$170,523,244. But imports from the United States did not decline. Notwithstanding the reduced purchasing power of the Canadians and the lower prices of American goods, both of which were the result of the depression, the value of Canadian imports from the United States actually increased. But since the Canadians were forced to reduce their purchase of foreign goods by some means, the situation resulted in a serious loss for British manufacturers. The process can be

⁵⁵D. McCulloch, "Canadian Protection Vindicated," Fortnightly, XXV n.s. (May, 1879), 756-57.

seen clearly in the following set of figures:

Canadian Imports from Great Britain (\$)	Canadian Imports from the United States (\$)
1873 . . . 68,522,776	47,735,678
1874 . . . 63,076,437	54,283,073
1875 . . . 60,347,067	50,805,820
1876 . . . 40,734,260	46,070,033
1877 . . . 39,572,239	51,312,669
1878 . . . 37,431,180	48,631,739

The British did not need to worry that a Canadian tariff might check British business. The Americans were already "cleaning it out." In 1873 Britain contributed 54.52% of all Canadian imports; by 1878 her share had fallen to 41.04%. The American share of the Canadian trade meanwhile had risen from 37.43% to 53.32%. "If free trade England can no longer compete with protected America in the Canadian market," asked one Englishmen, "why should anybody feel angry if Canadians take measures to do it themselves?"⁵⁶

It was not only the magnitude of American-Canadian trade relations which worried the British but also the manifestations they saw, or professed to see, of the truth of Goldwin Smith's assertions that the Americans were insinuating themselves into the structure of the Canadian economy. In 1880 the Canadian Government was searching for a foreign loan amounting to £20,000,000 in order to complete the Canadian Pacific Railway. According to George Anderson, London

⁵⁶Ibid., 757-58.

financiers were hesitant since Canada's national debt was already too large in their estimation. But there was fear that the Americans, who had "a keen appreciation of possible contingencies in the future," might be willing to advance the money. Among Americans, the "Monroe doctrine is not by any means dead, and their hankering after the possession of Canada is a desire that only waits for its opportunity."⁵⁷

Anderson was greatly distressed by what he believed the Garfield administration might undertake with respect to Canada. He believed that "American statesmen of no mean influence" were preparing to persuade Canada by appropriate means--such as a loan of twenty millions--"to join in a Zollverein with the United States, the effect of which, if indeed not the chief object, would be still further to shut out British trade from British territories."

Anderson cited letters, subsequently published as pamphlets, written to Garfield and others by Wharton Barker, prominent Philadelphia banker and a major Garfield supporter. Barker had written to Garfield that

we surely have a right to expect, in entering upon closer commercial relations with [Canada], a substantial guarantee that she feels herself a part of the great American continent, and is not ready to lend herself to such glittering imperial schemes as recently found favour in the Ministerial councils of the United Kingdom.

To Senator Brown of Canada Barker had suggested that "if the two countries had a common tariff of duties, with the sea-

⁵⁷George Anderson, "The Future of the Canadian Dominion," Contemporary, XXXVIII (September, 1880), 401.

board line as the only customs frontier. . . .it would make us one people in the great work of developing the resources of a new continent, and building up free, prosperous, and happy communities in a new world." "All far-seeing and practical men on both sides of the border must see that Canada cannot long remain in a state of commercial dependency upon England, and that all her interests draw her to close relations with the continent of which she is a part." If such quotes were not sufficient to alarm his readers, Anderson recalled for them the history of the German Zollverein and charged that Barker had in mind that "Uncle Sam should play the role of Prussia, and the Canadian provinces that of the lesser German States."⁵⁸

Though a Canadian responded to these charges, branding them exaggerated and dangerously misleading,⁵⁹ Goldwin Smith immediately re-entered the fray to insist that nothing should please Great Britain more than a strong and prosperous Canada. Such a condition could only be accomplished by the pursuit of natural economic operations. Canada's natural commercial relations were, and could only be, with the United States."⁶⁰

When, seven years after his observations of 1877, Smith

⁵⁸Ibid., 402-04.

⁵⁹F. Hincks, "Commercial Union from a Canadian Point of View," Fortnightly, XXIX n.s. (May, 1881), 618-33.

⁶⁰Goldwin Smith, "The Expansion of England," Contemporary, XL (September, 1881), 378-79, 389-98.

once again surveyed the Canadian situation for British readers, he believed that tendencies toward the unification of Canada and the United States had grown even stronger. The two North American branches of the English-speaking race "are actually fusing before one's eyes." There were now more than 700,000 Canadians in the United States. They went there

to push their fortunes with just as little compunction as a Scotchman goes to England. When Canada sets up a military college for the training of officers to command her troops against the Americans, the first cadet who passes takes himself off to practice as an engineer at Chicago.

Montreal, Canada's greatest commercial city, was closely linked with the United States. New York was becoming Canada's money market, replacing London. American bank notes passed so freely in Canadian commerce that "in fact, there is almost a monetary union."⁶¹

It was sufficiently clear from such articles in the British press, even if one makes allowances for rhetorical exaggeration, that the economic expansion of the United States militated against Britain's finding in Canada any solution to her economic difficulties.

American Competition outside of North America

Speaking at Sheffield in 1878, Arthur Mundella told his audience that "America is not only supplying her own country with goods, but exporting her manufactures to such an extent

⁶¹Goldwin Smith, "The Expansion of England," Contemporary, XLV (April, 1884), 538.

that she had become a powerful rival to England."⁶² In a letter to The Times in 1879, a Colonel Wrottisley warned that "the Americans have obtained the start of us . . . and unless our manufacturers stir themselves, the Americans will completely command the markets of Europe."⁶³ In 1885, in a lecture at Southwark, Professor Thorold Rogers admitted that American manufacturers could undersell the British in Africa and the Germans in Belgium. And to his charge that this was accomplished through tariffs that meant higher prices for American consumers came this reply from still another British observer of America:

The American tariff has almost killed the English export trade to that country. Yet, Minnesota blankets are cheaper than the same quality of blankets in England; steel rails are at this moment selling there at 50s. a ton less than the Americans, a year ago, paid for English rails; a few months ago the great contract for steel rails for the Canadian Pacific Railway was taken by an American firm (the Scranton Company), over the heads of every English competitor; and Colonel Wheatley writes, a few weeks ago, to the Pall Mall Gazette, that the American farmer can buy a self-binding reaping machine for £33, while the English farmer has to give for the same thing (possibly a superior article, but he cannot get it more cheaply) no less than £60.⁶⁴

By the late 1870s the Americans were competing with British manufacturers not only in the American and Canadian markets but in the rest of the world as well, including Great Britain

⁶²Quoted in Leffingwell, "Free Trade, from an American Viewpoint," 59.

⁶³Ibid.

⁶⁴Roper Lethbridge, "Is an Imperial Fiscal Policy Possible?" 35-36.

itself.

As noted earlier, Americans and others had found it easy to establish the unsophisticated mills required to turn out the cheaper grades of textiles. But the Americans now were also competing, often successfully, with the British in the more skilled manufacturing lines. In 1877 the British Government issued a Blue Book which contained the reports of the British commissioners at the Philadelphia International Exhibition of 1876. John Anderson, chairman of the judges of machinery and tools, reported that

even among ourselves, at Philadelphia, it was impossible to resist the conclusion that a great change is going on in the relative positions of different countries at these machine gatherings. . . . One collection of (American) machine tools was without a parallel in the history of exhibitions, either for extent, money value, or for originality and mechanical perfection. The impression left upon the minds of European visitors is that American competition in machine tools will soon be upon us. . . . There is no time to be lost if we mean to hold our own in the hardware trade of the world.⁶⁵

David McHardy, in his report on edge tools, said that

for years Sheffield supplied not only our own country but nearly all the world [with saws]. This monopoly remains with us no longer. . . . The American axe has for many years displaced the axes imported from Britain. They are now imported into this country. It must be allowed that in table cutlery, tools, and safes, America was before Great Britain. It would be foolish not to recognize the fact that at Philadelphia, Great Britain was in face of her most powerful rival in manufactures. A strenuous effort will be required from Sheffield to hold its own in the race of progress.⁶⁶

⁶⁵Quoted in Leffingwell, "Free Trade, from an American Viewpoint," 59.

⁶⁶Ibid.

American manufacturers continued to amaze the British at the Paris Exhibition of 1878. In a paper read before the Royal Colonial Institute on the Paris Exhibition, Frederick Young said that

in what they saw at Paris, British manufacturers must have acquired a keener appreciation of the difficulties they have to encounter in maintaining their former control of the markets of the world. A leading manufacturer expressed himself startled and alarmed by what he saw of the proofs of successful rivalry on the part of the Americans, in the branches of his own trade.⁶⁷

In 1887 the Americans boldly opened their industrial exhibition in London.⁶⁸ And Edward Atkinson reported that the Americans were importing steel from Britain and exporting the finished product to Sheffield.⁶⁹ However, Atkinson warned his British readers that "the greatest danger to the manufacturers of England will not be in our competition in the sales of goods" but in the competition for skilled workers. He believed the rapidly increasing American economic demand would serve constantly to widen the gap between British and American wages and standards of living.⁷⁰

The longer established American competition in textiles continued to be a concern for the British. American textile exports increased from only £480,000 in 1872 to £2,132,000 in 1877. America had become a significant factor in the

⁶⁷Ibid.

⁶⁸For a British comment on this, see above, 39.

⁶⁹Atkinson, "An American View of American Competition," 395.

⁷⁰Ibid., 386.

international textile trade and was even selling goods in Britain.⁷¹ "The competition of the United States is certainly, then, real. It has not only virtually deprived us of its 40,000,000 of people as customers, but it threatens us with permanent active rivalry in outside markets." A concrete illustration is contained in a letter from a New Orleans merchant who formerly had acted as a middleman in the British trade with Mexico: "The manufacturers of cotton goods in the United States have established for themselves a monopoly of supplying the Mexican markets with their manufactures, to the exclusion of those made in Great Britain, when the supply had heretofore been derived."⁷²

The American Atkinson also had much to say to the British concerning textile competition. He offered as evidence of the American industry's parity with the British the ability of the Americans to sell their wares in the markets of Asia, Africa, and South America. He denied British allegations that this American competition was the result of lower American wages in the industry⁷³ or of American dumping. The exported goods were made for the most part by strong and prosperous corporations which paid regular dividends. They were produced by workers who received, at least in most departments of the trade, wages equal to or above those paid

⁷¹"The Lancashire Cotton-Strike," 501-03.

⁷²Ibid., 509.

⁷³The author of "The Lancashire Cotton-Strike" had made the charge; 509.

in England. The goods were sold in China, Africa, and South America in payment for tea, silk, ivory, sugar, guns, hides, and wool. "This competition had been fairly begun before the late war in this country, but it is now continued under better conditions."⁷⁴

One obstacle to the global expansion of American commerce and industry was the woeful state of American shipping. The Civil War had put an end to the American merchant marine which had been one of the glories of the United States. In the post-war period, little or nothing had been done to revive it. The situation is clearly expressed in the following figures:⁷⁵

Percentage of World Maritime Carrying Power

	1850	1870	1880
Great Britain	41	44	49
United States	15	8	6

However, there was constant discussion in American political circles of various schemes for the revitalization of the American merchant marine. The British realized that if

⁷⁴Atkinson, "An American View of American Competition," 390-91.

⁷⁵Michael G. Mulhall, "The Carrying-Trade of the World," Contemporary, XL (October, 1881), 611. For the rapid decline of American shipping in Chinese ports between 1872 and 1879, see Herbert Giles, "The Present State of China," Fortnightly, XXVI n.s. (September, 1879), 364-65; and Rutherford Alcock, "China and Its Foreign Relations," Contemporary, XXXVIII (December, 1880), 1018-19.

this should occur American competition would become a still greater challenge. Moreton Frewen, a frequent visitor to and sometime resident of the United States and a promoter of grandiose but unprofitable American schemes, presented an alarming report on the prospects and significance of an American shipping revival. Reminding his readers that the British sugar trade had been virtually destroyed as a result of French and German governmental bounties to their native beet sugar industries, Frewen predicted that the United States would use its enormous and embarrassing surplus to subsidize American industries which would compete directly with those of Great Britain. According to Frewen, Samuel J. Tilden had recently suggested to his Democratic colleagues

that the surplus revenue could be most profitably expended in bonusing the construction of a mercantile marine. Ten millions sterling thus invested would transfer all the skilled labour of the Clyde and the Tyne to the Hudson, and would destroy all the fixed capital invested in British ship-yards; and when this branch of native industry has succumbed, the next departure will be a heavy export duty levied on American raw cotton, and a handsome export bonus on all manufactured cotton goods.⁷⁶

In the context of American industrial expansion and the possibilities of the revival of American shipping, the completion of a Central American canal was a matter of some importance for the British. De Lesseps declared that

he had been struck with the immense advantages which would accrue to the United States by the opening of

⁷⁶Moreton Frewen, "Displacement of Nations," quoted in Penzance, "Collapse of the Free Trade Argument," 338-39. Frewen did not appear to believe that the constitutional prohibition of export duties would stand in the way of his prediction.

an inter-oceanic canal. The first and most indisputable would be the restoration, in a very short time, of the supremacy to the American mercantile marine which it possessed before the war. . .⁷⁷

Jeans, in his book on English supremacy, considered the piercing of the Isthmus to be perhaps one of the great determinants of the American future. "No other equally limited section of the world's surface," he said of the Isthmus, "has held, or is likely to continue to hold, so great an influence over the destinies of nations and the commerce of mankind." The completion of a canal would be of considerable benefit to Europe which sent a "colossal and portentous" amount of trade by way of Cape Horn, despite the fact that the Suez Canal was open. But it was to the United States "that the opening of a water-way across the Isthmus of Panama is likely to be of the greatest advantage and importance."⁷⁸

The length of the Cape route had retarded American trade with Australasia, India, China, and Asia generally. Yet, despite such a disadvantage, American trade with those areas had been advancing "with remarkable strides." He noted that the canal would link the United States and Australia, which were "the countries of the future" because they possessed unlimited resources and were populated by Anglo-Saxons with energy and enterprise. He noted the "rapid expansion of the

⁷⁷Quoted in Edward Whymper, "The Panama Canal," Contemporary, LV (March, 1889), 336. It should be noted that these words were spoken when de Lesseps was in the United States attempting to raise funds for his project.

⁷⁸Jeans, England's Supremacy, 189, 198.

American trade with the whole of the Pacific" and with those Central American nations adjacent to the canal. He concluded that there was no "measurable limit to the possible growth of trade in these regions."⁷⁹

The completion of the canal, he predicted, would lead to "the quicker and more substantial development of both the continents of America and Asia, by abridging the distance that now divides them."

At the present time England has the lion's share of the world's trade. . . .It is, however, impossible, in the course of nature, that this supremacy can endure for all time. . . .The past was for Greece and Rome, the present is for England, Germany, and France; the future is undoubtedly for those countries that offer facilities for the development of commerce and industry, with which the limited areas of Europe and the redundant population of these islands cannot successfully compete. . . .The battle of the future must be to the strong, and the time is not likely to be far off when the sceptre of empire, of commerce, of wealth, and of industry, will be largely, if not wholly joined together by one or the other of the water-ways that are now being projected across the American isthmus.⁸⁰

The United States was already paramount in one of the stepping-stones to the far Pacific. According to one British observer, the Hawaiian Islands were "practically Americanised, and the dollar is the standard coin." Hawaii was of some importance since Honolulu was the only coaling station on the mail route between Auckland and San Francisco and it was on a direct line between Vancouver and Fiji.⁸¹

⁷⁹Ibid., 199.

⁸⁰Ibid., 204, 206. Cf. the section below on the American future, especially the prediction of George Thomas Bettany.

⁸¹C. Kinloch Cooke, "Europe in the Pacific," Nineteenth Century, XX (November, 1886), 742, 745.

According to another, Britain's Pacific possessions had suddenly found "themselves face to face with the Great Powers of the world. The United States in Samoa, France at the New Hebrides, and Germany in New Britain, have, in a few months, come to physical touch of our Australian Colonies."⁸²

Year by year Australia did less business with England and more with America, because American manufacturers were careful to accomodate the needs of their customers and the British were not.⁸³ In 1884 New South Wales had experienced a considerable increase in foreign trade. But, whereas imports from Great Britain increased by 117%, those from the United States increased by 389%.⁸⁴ A resident of the Empire wrote that British

manufacturing supremacy has been shaken. She is now suffering from foreign competitors. Even in those "lines" that were considered pre-eminently her own--iron manufactures--rival nations are encroaching on her. An American contractor can obtain the erecting of the largest bridge south of the Line--the Hawkesbury bridge in New South Wales --at something like 37,000~~x~~ below the English tenders. He can take some of the steel from Scotland to the United States, manufacture it there, erect it at the Antipodes cheaper than English engineers.⁸⁵

The same kind of competition was occurring in New Zealand.

⁸²George Baden-Powell, "Our National Future," National, IV (February, 1885), 767.

⁸³Robert J. Griffiths, "New Markets for British Industry," Quarterly, CLXIII (July, 1886), 170-71.

⁸⁴Quoted in Lethbridge, "Is an Imperial Fiscal Policy Possible?" 34.

⁸⁵Robert Stout, "A Colonial View of Imperial Federation," Nineteenth Century, XXI (March, 1887), 357.

The United States Consul at Auckland reported that "American implements and American machinery are everywhere superseding English."⁸⁶

Such reports, "and scores more might be collected within a few months" it was said, all seemed to indicate "a contraction, more or less serious and permanent, of our trade" with the neutral markets of the world where the United States and Great Britain competed on an equal basis.⁸⁷ The British were facing the American challenge not only in the United States, where American manufacturers enjoyed a protected market, and not only in Canada, where the Americans had the advantage of proximity, but all over the globe.

The American Future

The discussion of already existing American competition in the British press between 1873 and 1889 provided a basis for even stronger predictions of the American challenge of the future. Many of the viewpoints already considered contained strong implications, explicit or implicit, that the American challenge could only become more severe. Serious doubts about the future of American competition were rare and these came chiefly from Americans. We have already encountered Carnegie's assertion that England need not fear real competition for many generations, not until the United

35. ⁸⁶Lethbridge, "Is an Imperial Fiscal Policy Possible?"

⁸⁷Ibid.

States was as densely populated as Europe and wages declined.⁸⁸ But Jeans thought it likely that there would be a labor glut in the United States in the not-too-distant future. If that should occur and if, as a result, wages did decline, he wrote, "then it is more than probable that we shall have to accomodate ourselves to a very much keener rivalry in neutral markets, on the part of our American competitors." Such intense rivalry would be a most serious thing for Britain because the United States was "the most important industrial nation after England herself."⁸⁹ But the American Atkinson wondered, as Carnegie did, whether Britain really needed to be alarmed:

May it not perhaps be in the order of things that our competition with England in supplying neutral markets with manufactured goods, will be warded off by the home demand on our mills and workshops to supply the needs of one of the great tidal waves of population that seems about to be directed upon our shores from foreign lands. . . .⁹⁰

The typical British view of things, however, did not minimize the extent of future competition. There were those who insisted "that it would indeed be rash to place a limit upon her capabilities in the remote future. . . .[But] so long as the United States adhere to a strictly protective commercial policy we are safe."⁹¹ Such a view was quite

⁸⁸See above, 45-46.

⁸⁹Jeans, England's Supremacy, 187-88, 213.

⁹⁰Atkinson, "An American View of American Competition," 396.

⁹¹Henderson, "England and America as Manufacturing Competitors," 460-61.

common during the fiscal debate initiated by the Fair Trade movement. Even in the middle and latter part of the 1880s, by which time substantial evidence of competition had been publicized, the view continued to be expressed, by Jeans and others, that England had to fear a really dangerous competition only when the United States abolished protection.⁹² As late as 1888 Lyon Playfair felt able to write: "If the United States alter its Protection policy, and become a Free Trade nation, it will be our great competitor in the world, though the time is not close at hand. . . ." Though he pointed "to the United States as the great industrial nation of the future. . . . Luckily, her Protection policy is an incubus upon her industry, and gives us breathing time to prepare for the coming struggle."⁹³

But others, prominent Free and Fair Traders alike, were not so complacent. The Cobdenite Brassey insisted that

It is not from the cheap labour of Belgium, as the writers of the manifestoes from time to time issued by the associations of employers would have us believe, but from the dear, yet skilful and energetic labour of the United States, that the most formidable competition will hereafter arise.

Gladstone had been correct when he had predicted that commercial supremacy would pass from the United Kingdom to the United States. "That the United States must hereafter command a dominant position is certain," Brassey concluded.⁹⁴

⁹²Jeans, England's Supremacy, 97-98; F. Bulkeley Johnson, "English Supremacy in the East," 493-94.

⁹³Lyon Playfair, "The Progress of Applied Science in Its Effect upon Trade," Contemporary, LIII (March, 1888), 371.

⁹⁴Brassey, "Depression of Trade," 801-02.

The Fair Trader Ecroyd wrote of the United States exulting in "its future industrial and commercial greatness,"⁹⁵ while his ideological colleague, Jennings, was more specific:

Foreign competition will not become less keen as years go by, nor will the world be disposed to leave a monopoly of its markets to English manufacturers. Trades which we once controlled will fall into other hands, and there will again be that "shifting of industries" which the philosophers assure us is all that is going on.⁹⁶ But it is to other lands that the industries will be shifted. Cotton manufactures will be cultivated assiduously by Germany and the United States, and the day will certainly come when the only transport of cotton required will be from the fields where it is grown across the road to the mills where it is worked up. Already the Americans have erected cotton-mills at Chicago, and nothing but the temporary want of capital prevents the extension of the industry to the south and southwest. Manchester and Oldham will find out, as Bradford has done, that there is a form of foreign competition against which, with open ports here and closed ports everywhere else, it is impossible to fight.⁹⁷

Jeans, despite his belief that America's protective system hampered its ability to compete, could not forget "the infinitely greater resources of America," in terms of agriculture, mineral wealth, and population. "The American Republic has, taking the capacity of her land into view, as well as its mere measurement, a natural base for the greatest continuous empire ever established by man. . . .The development which the Republic has effected has been unexampled in its rapidity and force."

⁹⁵Ecroyd, "Fair Trade," 604.

⁹⁶The reference is to Courtney, "The Migration of Centres of Industrial Energy."

⁹⁷Jennings, "Fair Trade and British Labour," 584-85.

America has increased her wealth fully tenfold within the forty years under review. England has little more than doubled her wealth in the same interval. Basing our expectations for the future on the analogy of the past, it is evident that, as regards wealth, England will soon cease to be in the running with her precocious offspring. And not England alone, but the whole of Europe must be so overshadowed.⁹⁸

More strongly worded, and perhaps the most alarmist analysis of the American challenge to appear in the British press between 1873 and 1889, was George Thomas Bettany's article, "Europe versus the United States: A Darwinian Forecast." Its thesis was that Bettany's generation was witnessing two great struggles, one for supremacy, and in fact for separate political existence, on the continent of Europe; the other between Europe and the United States for world supremacy." While the dramatic aspects of the armaments competition kept attention focused on the Continental struggle,

we forget, or do not believe in, the future probable transfer of supremacy to the United States. We do not imagine that any open struggle can ever take place between the Old and the New World Powers. . . . The struggle may be slow, silent, unseen in its larger aspects, but it is inevitable; and one day it is very possible that Europe--nay, even Great Britain--may awake to realize that the destinies of the world no longer depend on this quarter of the globe, but on the younger, stronger, more vigorous United States.⁹⁹

He made it clear that he did not necessarily mean military conflict, but he was convinced that some kind of struggle

⁹⁸ Jeans, England's Supremacy, 408-09, 418.

⁹⁹ George Thomas Bettany, "Europe versus the United States: A Darwinian Forecast," Contemporary, LIII (March, 1888), 395-96. Cf. the much more benign view of The Americanisation of the World which Stead wrote in 1901, below, 353-354.

was bound to occur. And it made no difference whether Europe grew moderately or declined in numbers, wealth, and skill. In any case "a keen struggle of some kind in the future must result from the extraordinarily rapid growth of the United States in population and wealth, with every sign of long continuance. In less than a century it appears probable that the United States will number as many inhabitants as non-Russian Europe. Its future wealth we can hardly guess at; but in a century it may not improbably exceed that of the whole of Europe."

Courtney's "The Migration of Centres of Industrial Energy" had demonstrated clearly, contended Bettany, that as the appearance of new sources of energy, new ideas, and new techniques had given the advantage in the past first to one people and then to another, so it would be in the future. At the present point in time it was the United States which was expanding its capabilities at the greatest rate. "The whelp of former days has become a lion. It will certainly claim to be treated as a lion. . . ." Europeans are complacent, believing that the vastness of the United States will absorb American energies.

I believe that when the population of the United States has increased for another century, there will have arisen a struggle for existence which will put past struggles into the shade. The Americans will be swarming everywhere, not merely on their own continent, but all over the world, seeking to establish themselves, demanding rights and privileges, and in the end perhaps gaining the mastery over portions of the Old World.

Should his readers think that he exaggerated, let them look

at what the Americans were already doing. The American demand for the annexation of Canada was heard again and again.

Look at the influence of American protective tariffs on British and European manufactures. Look at the spreading influence of the United States in the Pacific Islands. Look at the exclusion of pauper immigrants, which is in itself a remarkable evidence of strength, and may easily be changed into a regulation that every immigrant shall possess a certain amount of property; thus establishing a most disastrous influence to make the European States poorer, and to extract from them the richer and more vigorous people.¹⁰⁰

Was there any remedy? At this point his readers realized that Bettany was making a plea for imperial federation. If there were any remedy, it lay in the establishment of some new countervailing power. A European federation he placed even farther into the future than American supremacy, though he recognized that in time common danger might produce European union.¹⁰¹ "But the most valuable and influential answer to the whole question would to my mind be the development of a British confederation. . . . Thus, and thus only, can a second Power arise capable of balancing the United States."¹⁰²

"The old giants are becoming worn out, and the young giant is growing yet more gigantic. . . ." But, "while Europe may go to decay, and may even become almost the vassal

¹⁰⁰Ibid., 396-402.

¹⁰¹This interesting forecast was nearly realized; at the turn of the century there were discussions by continental states of a pan-European economic union against the United States.

¹⁰²Ibid., 404.

of the United States," a confederated British Empire could, by wise legislation, establish the necessary conditions for prosperity and grow as rapidly as the United States in population and wealth. Yet Bettany held out little hope that such a confederation could be established in the near future.

Reading history aright, we see how the centre of gravity of human affairs has again and again shifted from the East westwards from Assyria, Phoenicia, and Egypt, to Greece and Rome, from Rome to Paris, from Paris to London; and it may be destined to shift yet farther west to Washington, unless some more remarkable change than we at present foresee should keep it on this side of the Atlantic.¹⁰³

This note of struggle which Bettany sounded so strongly was to find many echoes in Britain in the years from 1890 to 1906. The years 1890-1897 were associated in the minds of those who kept careful watch of American activities with the names of McKinley and Dingley, and there were frequent references to the tariff "war" which the United States was waging against its competitors. And from 1897 to 1906, during which time American global influence spread more rapidly than ever, there were many in Great Britain who believed they were experiencing on their own soil an "American invasion."

¹⁰³Ibid., 405.

PART II

THE CHALLENGE OF THE AMERICAN MARKET, 1890-1897

CHAPTER III

THE CHALLENGE OF "MCKINLEYISM"

Introduction

The depths of the Great Depression had been reached in 1879. Then, after some years of improvement, another low point was reached in 1885. From 1886, however, the British economy seemed to be making progress once again. The barometer of that progress continued to be the movements in foreign trade. As Gladstone had maintained in 1880, so The Times professed in 1893: "For English trade the best measure, after all, is the table of annual exports and imports."¹ British exports in particular had shown very satisfactory growth, increasing from £213,000,000 in 1886 to nearly £264,000,000 in 1890. This 1890 figure was a record for Great Britain, exceeding by some £6 millions the previous record which had been set in the last pre-Depression year, 1872.²

¹The Times, leading article, January 25, 1893, 9.

²Sources for such readily available figures as total exports will not generally be given. Along with much other useful information, these data were published each year in The Economist's "Commercial History & Review" (hereafter cited as Com. History [year]), published annually as a supplement to The Economist in mid-February. The Times published a comprehensive but much briefer account during the first week of the new year. Such important data as total export figures were also, of course, widely referred to in the British press throughout the year.

A significant factor in this improvement of British foreign trade was the increased purchase of British manufactured goods by Americans.³ Both The Times and The Economist acknowledged and frequently reminded their readers of the interdependence of the British and the American economies. The Times pointed out previous economic recoveries which had been caused by increased American demand for British products⁴ and The Economist, in commenting on the improved export situation, noted that "we find the United States again figuring conspicuously."⁵ The United States was, in fact, Britain's best customer.⁶ British exports to the United States were growing faster than total British exports in the late 1880s; in 1890 they exceeded £32,000,000.

Into this Great Britain of 1890, hopeful that the Great Depression was finally over and keenly aware of the important role which the United States played in maintaining British prosperity, came the threat posed by the McKinley Tariff Act. This piece of legislation was more than simply another American tariff. It not only raised many duties which the British already considered quite high still higher, but it

³The Times, January 24, 1890, 13.

⁴Ibid.

⁵The Economist, "Monthly Trade Supplement" (hereafter cited as MTS), February 1, 1891, 1. The MTS was published the second Saturday of each month.

⁶This was frequently commented upon; see, for example, The Times, June 7, 1890, 8; and April 20, 1891, 5; J. Stephen Jeans, "The American Tariff--Its Past and Future," Fortnightly, LIII n.s. (December, 1892), 755; and the Com. History annually.

contained provisions for establishing reciprocity treaties with foreign nations and it gave the American President broad discretionary powers of retaliation against countries whose economic policies he considered inimical to the interests of the United States.

A new word, "McKinleyism," entered the English language. As it was used by many in the British press, "McKinleyism" connoted a new American posture, one of supreme economic confidence, of independence, and perhaps of defiance toward England. It continued in use long after the McKinley Act itself had been replaced in 1894. McKinley himself stated the challenge clearly enough in his American speeches which were widely reported, frequently verbatim, in the British press following the passage of the Act. "Thirty years of protection have brought us," claimed McKinley in 1891, "from the lowest to the highest rank of industrial progress." Protectionist America had the lowest per capita debt in the world, having reduced it from \$76 to \$20 in twenty years. The taxation of the American people had declined by nearly 10% between 1870 and 1880 while that of the British, under Free Trade, had increased by more than 24%. Opponents of protection charged that it enriched the few and impoverished the many, yet wealth in England was far more concentrated in the hands of the few than in the United States. The purpose of the new tariff was, according to McKinley, to foster still greater industrial expansion. American "free trade builds factories in Europe, protection builds factories in the United

States." Under a protective system which encouraged Americans to manufacture what they had previously imported, McKinley believed the United States was destined to lead the world.⁷

There were Englishmen who found the McKinley Act admirable and worthy of emulation.⁸ Most Englishmen thought it unwise and some considered it dangerous as well. But no one could ignore it. As one interested observer of "McKinleyism" wrote:

The passage of the McKinley Tariff Act by the United States Congress, the efforts which are being made by [Secretary of State] Blaine to bring the South American States and Canada into a commercial federation with the Republic, the "Retaliation Act," and a variety of other circumstances, have all combined to summon the English people once more to consider the conditions under which the trade of their country is being carried on.⁹

Passage of the McKinley Act set off a great wave of discussion in England similar to that which had taken place at the end of the 1870s, when the Fair Traders had first begun to measure Britain's progress against that of protectionist America. This chapter will examine several different aspects

⁷The Times, February 14, 1891, 7; August 24, 1891, 3; November 2, 1892, 5; and leading article, June 22, 1891, 9.

⁸See the letter praising the results of American protection written by the prominent protectionist C. E. Howard Vincent, to The Times, October 15, 1890, 7. Many of the authors cited below also noted low American taxation, high wages and standard of living, etc. This was an important aspect of British protectionist comment on the United States both before and after 1890 but space does not permit any detailed examination.

⁹L. J. Jennings, "The Trade League against England," Nineteenth Century, XXVIII (December, 1890), 901.

of the more immediate British response to the McKinley Act. But long after the initial wave of debate diminished after 1892, "McKinleyism" continued to occupy a central role in British discussions of the American challenge.

It is the thesis of Part II that the aspect of the American challenge which most alarmed the British between the McKinley Tariff of 1890 and the Dingley Tariff of 1897 was the actual or threatened loss of substantial portions of the lucrative American market. This loss, which will be examined in Chapter IV, the British attributed primarily to "McKinleyism" in the form of protective tariffs, constant disruptive talk of tariff revision, and tariff-aggravated depressions. By the latter 1890s, however, the British could no longer ignore the fact that another significant cause of British losses in the American market was the increasing ability of the United States to satisfy its own industrial needs, and this will be examined in Chapter V. The influence of "McKinleyism" will be apparent in these chapters and further ramifications will be seen in Part III, which deals with the emergence of American global competition.

Grim Expectations

In the latter part of the 1880s, the theme of international struggle and competition had received prominent attention in the British press. At that time the notion may or may not have been taken as seriously as analysts such as Kropotkin and Bettany may have wished. It is quite possible that

many readers dismissed such notions as pessimistic fantasies or as at least exaggerations. However, when the McKinley Act was passed, many in England were in fact quick to interpret the American action as one of aggression, as the launching of an international struggle in the form of commercial warfare. Those who in the past had predicted a coming struggle might well have felt justified as they turned the pages of the British press between mid-1890 and mid-1892.

English Cobdenites were accustomed to emphasizing the capacity of international trade for bringing about cooperation and peace. Hence, Lyon Playfair and others blamed Americans for re-introducing the reactionary notion that international trade was in fact a form of competition or even of belligerency. They publicly deplored speeches given in defense of the McKinley Bill such as that of William Evarts which contained the following passage: "Sir, let us understand that with us, in our system and age of civilization, trade between nations stands for war in a sense never to be overlooked, and never to be misunderstood."¹⁰

The Americans, however, had no monopoly of such notions. Fair Traders had long been trying to convince fellow Englishmen that trade and fiscal policy were elements of the international competition for supremacy. Outside the ranks of the Fair Traders similar views could be found. Lord Salisbury,

¹⁰ Playfair's speech which contained the Evarts quote was reported in The Times, November 14, 1890, 3-4.

speaking before the Manchester Chamber of Commerce at the low point of the Great Depression, had referred to foreign commercial treaties which acted as impediments to British trade as acts of "fiscal war." "War is a bad thing," he had said, "but it is our only way of defending ourselves against this wrong. Why is it wrong to do it in dealing with your fiscal matters, as well as in any other international relation?"¹¹ Again after the passage of the McKinley Act, this time speaking at the Guildhall, Salisbury identified trade with war and charged that the protectionist nations of the world used tariffs as weapons.¹² The Free Traders in England, too, were quick to accept pronouncements such as that of Evarts at face value and to believe that America had declared economic war. According to The Times, for example, there was no doubt that the new American legislation was an act of hostility:

The new tariff is a war measure. . . . Nor is its character in this respect disguised by its promoters. It is within the power of the American government to carry out such a measure, just as it is within its power to declare war on a friendly State, but let there be no mistake about the nature of the former policy any more than about the latter.¹³

This intensity of the British reaction was attributed by A. N. Cumming, one of the controversialists in the debate which the McKinley Act provoked, to the fact that Britain

¹¹Quoted in A. Williamson, British Industries and Foreign Competition (London: Simpkin, Marshall, Hamilton, Kent & Co., Ltd., 1894), 215.

¹²The Economist, November 15, 1890, 1439.

¹³The Times, leading article, October 3, 1890, 7.

had "again been rudely awakened from her dogmatic slumbers" following a brief period of prosperity and complacency. Since the very depressed year 1885, Britain's foreign trade had increased appreciably and, he claimed, "the average man has been content to let sleeping dogs lie. To that is really due the seeming indifference of the press and public" to the new policy that had taken shape in the United States.¹⁴

It was simply not true that the British press had ignored the McKinley Bill until it was passed and that the British people had been presented with a fait accompli, as Cummings charged. The Economist had kept its readers regularly and thoroughly informed from the time the House Ways and Means Committee had begun to hold hearings on tariff revision. Its United States correspondent had provided a weekly commentary on the Bill as it passed through Congress and The Economist had devoted a substantial portion of its April "Monthly Trade Supplement" to summarizing the alterations thus far proposed in the most important tariff schedules.¹⁵

Neither had The Times ignored the impending tariff changes. In leading articles, in reports from its correspondents in the United States, and in a multitude of news reports, it had warned its readers of the harm the proposed

¹⁴A. N. Cumming, "America and Protection," National, XVI (October, 1890), 370.

¹⁵See The Economist, MTS, January, 1890, 9; MTS, April, 7-11; and the reports filed each week (with only occasional exceptions) by the American correspondent between January and October. The Economist printed, in parallel columns, the full text of the McKinley Tariff alongside the old rates in the MTS, October, 1-13.

tariff was capable of causing. The following extracts from leading articles published prior to the passage of the McKinley Bill illustrate The Times' concern:

British industry will have small reason to be thankful for the new tariff if it is passed. It will press with special heaviness upon some localities, such as Sheffield. That is the intention of its authors.¹⁶

In 1889 manufactured goods were imported into the United States to a total value of \$52,681,482, and paying a duty of \$35,373,627. The new rate is calculated to yield revenue of more than fifty-eight million dollars, the average rise being 67.15 per cent. to upwards of 91 per cent. Yorkshire will suffer [from the increased duties on woollens] by the curtailment of American demand.¹⁷

It is clear, then, that the British had no reason to be taken by surprise by the McKinley Tariff. Nevertheless, as Cumming more correctly alleged, Great Britain had been "rudely awakened." To the typical Englishman, Cumming wrote, protection in the guise of Fair Trade had in the late 1880s seemed a "mere foible, the fad of a few directly interested or sorely hit." Then suddenly, with the enactment of the McKinley Tariff, it dawned on him that protectionist America "is now established as the most prosperous of nations," the American workingman is blessed with a higher standard of living than his British counterpart, and America is "competing with England for the industrial supremacy of the world. . . [and] in many departments they are already ahead of us." That Free Trader, he concluded, "has little grasped the facts

¹⁶The Times, leading article, August 19, 1890, 7.

¹⁷The Times, leading article, September 29, 1890, 9.

of the situation who does not see that a wholly new set of problems, undreamt of by Bright and Cobden, are now presented to his view."¹⁸

The new problems mentioned by Cumming and the re-examination of the conditions under which British trade was carried on requested by Jennings filled the British press with controversial writings for nearly two years. The early evidence of the effects the new tariff was having on British trade was anything but conclusive¹⁹ and much of the literature was strongly opinionated and rhetorical. The strongest and most dramatic theme to appear was the notion, alluded to above, that the McKinley Tariff was an act of hostility, the opening gambit of a commercial war. In addition to the unambiguous statements of Lord Salisbury and of The Times already mentioned and the similar statements which continued to appear in that newspaper, British periodicals published articles bearing titles such as "The American Tariff War" and "The Trade League against England." Even essays with the soberest of titles said of the McKinley Act that "its operation must be equivalent to a commercial war."²⁰

There was no doubt in most British minds that the McKinley Act had been aimed directly at them. As The Times editorialized:

¹⁸Cumming, "America and Protection," 370-71, 373-74.

¹⁹See the following chapter.

²⁰W. H. Hurlbert, "The Fiscal System of the United States," Edinburgh, CLXXIII (January, 1891), 292.

We are entitled to say, then, that the blow aimed at British industry by the M'Kinley Tariff is an entirely unprovoked act of unfriendliness, which must be recognised as such. . . . No reason can be assigned for it except a desire on the part of politicians in power to inflict injury on British interests.²¹

Not all British observers believed that the new tariff indicated that Americans were personally hostile toward the British, but it was nearly universally seen as a tactic in the American bid for world economic supremacy. Great Britain was the acknowledged great power of the economic world and it was necessarily at Great Britain that the American challenge had to be hurled. An English critic of "McKinleyism" wrote of the tariff that "there is no doubt but that it was specially directed at England--America's largest customer and her greatest competitor."²² Protectionists shared this view. One wrote to The Economist that the McKinley Tariff would clearly do more harm to Britain than to any other country.²³ Another insisted that "to damage our industrial interests" had been one of the objects of those who framed the tariff.²⁴ The Fair Trade leader, W. Farrer Ecroyd, wrote to The Times that "the M'Kinley Tariff is a heavy blow

²¹The Times, leading article, October 3, 1890, 7.

²²Robert Donald, "McKinleyism and the Presidential Election," Contemporary, LXII (October, 1892), 492.

²³William J. Harris, letter to The Economist, March 28, 1891, 409-10; additional letters from Harris appeared April 11 and 18.

²⁴Frederick Greenwood, "Free Trade, a Variable Experiment," National, XX (November, 1892), 318.

struck alike at our home industries and at the prosperity and independence of Canada--an unprovoked aggression, an attempt at conquest by fiscal warfare."²⁵ The Canadian protectionist, Sir Charles Tupper, complained that, while in 1890 the British purchased £97,000,000 worth of American products, allowing them to enter free of any duty and in competition with British products, the United States purchased in return a mere £32,000,000 worth and took the balance in cash. But, he continued, they were not even satisfied with this immensely favorable trade balance. "They sat down and constructed the McKinley Tariff to see how much they could reduce the £32,000,000, and by one stroke of the pen they knocked off, by that tariff, 10 per cent. of that £32,000,000."²⁶

The grim forebodings for the future which the McKinley Tariff evoked in many quarters in England amounted to a sort of siege mentality. The silent weapon of protective duties, operating from afar, was going to wreak havoc in Great Britain. As The Times editorialized:

The more the anticipations of its authors are realized the more will it restrict the demand for skilled labour in the industries of this country. If it does not throw British artisans out of work and permanently cripple the manufactures on which they depend, no thanks will be due to the majority of the Congress at Washington.²⁷

²⁵W. Farrer Ecroyd, letter to The Times, October 20, 1890, 3. For Canada and "McKinleyism" see Part III.

²⁶Charles Tupper, "The Question of Preferential Tariffs," Fortnightly, LIII n.s. (August, 1892), 141.

²⁷The Times, leading article, October 3, 1890, 7.

The McKinley Act contained a number of provisions which caused anxiety. The reciprocity clauses²⁸ contained the retaliation provisions which so disturbed the British. The powers they conferred on the President seemed dangerous: what could be more commercially warlike than granting the American Executive discretionary power to retaliate "against any country which may decline to take any of the surplus products of the United States on the terms of the American producers"?²⁹ What could be more arbitrary? "It is only necessary for him to issue an order some morning that no more cotton goods, no more iron or steel, shall be admitted into any United States port from England, and no produce from Canada, and every Federal officer would immediately obey him."³⁰ What could be more autocratic? More than a century earlier the Americans had thrown tea into Boston harbor; now their tea could be taxed by presidential decree and without any deference to public well-being. "The Americans keep their own George the Third at home nowadays."³¹ Behind the McKinley Act was the Customs Legislation Act which had been passed by the same Congress. This Act, generally ignored in the flurry of excitement over the McKinley Act, was really part of the same overall program according to one writer. It

²⁸Reciprocity as an aspect of "McKinleyism" is examined in Part III.

²⁹Hurlbert, "The Fiscal System of the United States," 292.

³⁰Jennings, "The Trade League against England," 909.

³¹Donald, "McKinleyism and the Presidential Election," 503.

"throws new and serious obstacles round the attempts of our manufacturers and traders to get their goods into the United States" by establishing troublesome and complex regulations for labeling, invoicing, and related matters and setting costly penalties for their violation. While Britain freely accepted all that America offered, "at the same time, all the ingenuity of the Americans is devoted to the work of keeping our goods out of their markets."³²

Above all, of course, it was the level of protection established in the various tariff schedules which was the greatest concern to British observers. "No such revolutionary fiscal law enacted by a great commercial power could have been without its effect on the trade of the world. It was an obstruction in the avenues of commerce which had to be overcome, or compensating outlets found."³³ It was directed not only against England but "against any country which produces and desires to exchange for the products of the United States commodities which can possibly under the stimulus of legislative bounties be produced in the United States."³⁴

Some saw the McKinley Tariff as not really protective at all, but as "practically prohibitive."³⁵ Its intent "undoubtedly was, and is, to exclude Europe as a producer and

³²Jennings, "The Trade League against England," 909-10.

³³Donald, "McKinleyism and the Presidential Election," 492.

³⁴Hurlbert, "The Fiscal System of the United States," 292.

³⁵Cumming, "America and Protection," 377.

vendor from the American markets. . . .It is a Non-Intercourse Bill."³⁶ The McKinley Tariff "must inevitably have the effect of cutting off some classes of our exports altogether."³⁷ There was fear that such English staple exports as jute, cotton goods, and woolen goods could no longer be shipped to the United States just as soon as the Americans could expand their own mills, for the duties on such articles represented "complete prohibition."³⁸

Even when the new tariff was considered to be less than prohibitive there was extensive concern that the decline of British exports to America would be substantial. "It is safe to anticipate as the result of the increased tariff under discussion that we shall for the future sell more British goods to Australia than to the United States."³⁹ There were those who believed that tariffs generally and very high tariffs particularly impaired a nation's purchasing power. These feared that "through the diminished consuming power of the American people every branch of industry in Great Britain will be affected, even those which produce articles uninfluenced directly by the McKinley Bill."⁴⁰ The Economist professed to care less whether the Americans had a higher tariff or a lower one than that they should have a stable tariff.

³⁶Hurlbert, "The Fiscal System of the United States," 285-86.

³⁷Jennings, "The Trade League against England," 903.

³⁸A. Egmont Hake and O. E. Weslau, "The American Tariff War," Fortnightly, XLVIII n.s. (October, 1890), 568.

³⁹Moreton Frewen, "The National Policy of the United States," Fortnightly, XLVIII n.s. (November, 1890), 677.

Its American correspondent provided ample evidence that the lengthy Congressional debates over the McKinley Bill had badly disrupted the import trade. While awaiting the legislative outcome, merchants hesitated to make new commitments. Then, once it was clear that duties would be raised substantially, there was a frantic rush to accumulate the largest possible stocks of goods before the tariff should take effect. Neither constant hesitancy nor violent fluctuations was good for healthy commercial relations and The Economist deplored the fact that in the United States the tariff was such a constant public question. It interpreted the Democratic victories in the Congressional elections of 1890 as a repudiation of "McKinleyism," yet The Economist was not elated for it saw these elections as merely prolonging a state of suspended animation in the United States until fiscal policy lines become clearer. The period 1890-1897 provided The Economist with one continuous opportunity to preach to the Americans the gospel of stability.⁴¹

The new tariff was expected to have an especially severe effect on Britain's basic industries, textiles and metals. There were predictions that it would hurt the Belfast linen industry so severely that it would lead to the closing down of many firms.⁴² Yorkshire anticipated a serious decline in

⁴¹For illustrations of these points see particularly The Economist, MTS, June, 1890, 759; MTS, October, 1; November 8, 1407-08; and MTS, November, 4-5. Similar examples can be found appearing with great frequency between 1890 and 1897.

⁴²The Times, June 2, 1890, 11.

the export of its woollens to the United States.⁴³ The numerous textile industries which centered around Bradford expected to be hard hit. One Bradford manufacturer estimated that the American trade in Bradford goods would decline by from 20 to 33%.⁴⁴

The McKinley Tariff, predicted The Times, would reduce British exports of iron and steel and their manufactures generally and would "almost annihilate the tin-plate industry of South Wales," since three-fourths of all the tin-plate that Britain produced was shipped to the United States, chiefly for the canning of foods.⁴⁵ Birmingham, perhaps Britain's premier manufacturing center, worried considerably over the new tariff "which threatens to inflict a heavy blow on more than one local industry. Its effect on the local gun trade will be serious and far-reaching." One manufacturer stated that the American trade in Birmingham guns had represented £2,000 a week but that, since the new tariff had come under consideration, the trade had "fallen off completely." Another gunmaker expected the McKinley Tariff would cost Birmingham £60,000 a year. The Birmingham trade in metal bedsteads with the United States had grown rapidly in the late 1880s despite a 35% tariff. Five or six firms had been sending nearly £30,000 worth of iron and brass bedsteads a

⁴³The Times, leading article, September 29, 1890, 9.

⁴⁴Jennings, "The Trade League against England," 903-04.

⁴⁵The Times, June 2, 1890, 11.

year to America. It was expected that most of this would be lost. "In the pearl industry nearly half the orders will be lost by the virtual closing of the United States market."⁴⁶

No town, however, had more to fear than Sheffield.⁴⁷

The Sheffield cutlery trade with the United States amounted to £30,000 a month and nearly 2,500 people were employed solely in the American branch of the trade. Sheffield manufacturers were particularly irate because they knew that the American producers could not satisfy the very large American demand, especially in high quality goods. They accused the United States of seeking not protection but the complete exclusion of Sheffield goods and planned a town meeting to consider what action might be taken.⁴⁸

From the very beginning, however, there were two schools of thought as to the effects--as opposed to the intentions--of the McKinley tariff. While it was being debated, Andrew Carnegie gave a reassuring speech before the Liverpool Reform Club in which he asserted that Britain's economic position had never been stronger and predicted that the tariff would not reduce British exports to the United States.⁴⁹ Joseph Chamberlain, James Bryce, and the president of the Manchester Chamber of Commerce all stated that the significant effect

⁴⁶The Times, October 7, 1890, 7.

⁴⁷See The Times, leading article, August 19, 1890, 7; and the brief comment in Jennings, "The Trade League against England," 903.

⁴⁸The Times, June 23, 1890, 11; October 9, 7.

⁴⁹The Times, September 20, 1890, 9.

of the tariff would be to raise American prices to such an extent that American goods would no longer be competitive in world markets, an argument that frequently appeared also in periodical essays on the tariff.⁵⁰ Even The Times, despite the pessimism and dismay which frequently appeared in its pages, insisted that the United States must sooner or later realize that trade is "bilateral" and that, if America were to shut out British products from its market, some equivalent of American trade must be shut out of Great Britain. It went so far as to predict that "if prices rise as they are now rising on the other side of the Atlantic . . . the competition even in the States lies open to us."⁵¹ In a rather ambiguous leading article on "The M'Kinley Tariff and its Effect on British Trade," The Times noted that £16.8 millions of the £30.3 millions worth of British exports to the United States consisted of items that would be affected by higher duties. In 1889 Britain had sent to the United States £6.2 millions worth of iron and ironware, £5.8 millions

⁵⁰Chamberlain quoted in Hurlbert, "The Fiscal System of the United States," 273; Hurlbert himself amplified and restated this characteristic argument, 297, which continued to appear as late as 1892; see Henry George, Earl Grey, "Protection--Free Trade--Fair Trade--Colonial Trade," Nineteenth Century, XXXI (January, 1892), 38-60 generally and especially 50; for Bryce and the Chamber of Commerce president, see The Times, October 8, 1890, 9; and October 28, 11.

⁵¹The Times, leading article, August 19, 1890, 7; and leading article, October 9, 9. See also the report of Lyon Playfair's speech on the tariff, which The Times called "the most complete exposure that has yet been made public on either side of the Atlantic of the futility and absurdity of the M'Kinley Tariff"; The Times, leading article, November 14, 9.

worth of wool and woolens, £2.9 millions worth of linen yarns and manufactures, £1.5 millions worth of jute yarn and manufactures, and £400,000 (or one-seventh of the total exported) worth of hardware and cutlery. All were to be affected by the increased rates. In addition, in mid-1891 the new rates would go into effect for tin-plate, of which the United States took in 1889 £4.6 millions (or 80% of total British production). Nevertheless, The Times concluded that the alarm over the effects of the tariff was "exaggerated. It will divert and disturb trade pro tanto, but it affects only a part of the United States foreign trade, and a still smaller part of the foreign trade of England after all."⁵²

In addition to the numerous confident statements that the tariff would have little adverse effect for Britain, there were those in England who predicted that the new tariff would prove so onerous, that prices would rise so drastically for the benefit of the few, and that customs revenue would decline tremendously and thus require additional taxes, that the passage of the McKinley Act was really a prelude to an era of Free Trade in the United States. In the words of the authors of "The American Tariff War," its evils would be so enormous that "it may prove to be the herald of Free Trade in the United States."⁵³ The Democratic victories in

⁵²The Times, leading article, December 29, 1890, 10.

⁵³Hake and Weslau, "The American Tariff War," 567. They went beyond this not unusual assertion, however, to the fantastic notion that McKinley intentionally had made the tariff so intolerable as to assure the adoption of Free Trade; they

November, 1890, and especially the victory of Grover Cleveland in 1892 raised the hope in many English hearts that the United States was on the verge of adopting Free Trade.⁵⁴

The more overconfident statements in the press became easy targets for criticism. Enough evidence appeared not long after the new tariff went into effect to support, at least tentatively, the position that Britain was indeed to suffer because of the McKinley Act. The first effect of the new duties was that greatly increased prices were charged in the United States for British woolens, linens, cottons, buttons, cutlery, guns, tools, and machinery; hence they found a more limited market.⁵⁵ Only two weeks after enactment of the tariff "we hear rumours of 'short time,' of three days a week [in Sheffield], of reduction in hands, of reduction in wages." The American representative of one firm reported that orders were off by 80%.⁵⁶ So general was the damage done to the Sheffield trade that even those firms with eminent reputations for quality goods were hard hit.⁵⁷ But no

recommended, should their conjecture prove correct, that McKinley be commemorated by "a statue of gold--or better, perhaps, of the superfluous silver piled up in the Treasury vaults"; ibid.

⁵⁴The Economist found it necessary constantly to remind its readers that the Americans were committed to protection in one form or another, no matter which party was in power. See any of the issues during and immediately after these two elections and during the American debate of the Wilson Tariff Bill in 1894; some examples can be found in Chapter IV.

⁵⁵See the lengthy article in The Times, February 2, 1891, 3.

⁵⁶C.E. Howard Vincent, prominent protectionist, letter to The Times, October 22, 1890, 3.

⁵⁷The Times, January 15, 1891, 8.

major industry escaped early damage at the hands of the McKinley Tariff; iron, steel, tin-plates (after that duty took effect July 1, 1891), cutlery, hardware, textiles, all were affected.⁵⁸ Two months after passage of the tariff "shipping agents all report a diminution in the quantity of goods sent to the United States. One agent has stated that 'the difference between this year and last is at least 50 per cent. The volume of the reduction is chiefly in cotton and woollen goods and upholstery materials.'"⁵⁹ After eleven months of "McKinleyism," The Times reported that "the trade in lower-class goods, both metal and textile, has very sensibly declined, and in some cases been annihilated." In other branches of industry "the normal course of trade has been wantonly and injuriously disturbed."⁶⁰

Under such circumstances Free Traders' claims that Britain would be unaffected left them open to scornful retorts. From their seats "on our only Olympus," wrote one critic, the Free Traders smiled at the alarm which the new tariff aroused, but there was scant reason for amusement: "Ravage set in almost immediately on some of the largest industries in the United Kingdom. First the tin and iron trades suffered; then it appeared that enormous damage had been inflicted on Sheffield industries; and it is not long since the crash at

⁵⁸Donald, "McKinleyism and the Presidential Election," 492-93.

⁵⁹Jennings, "The Trade League against England," 911.

⁶⁰The Times, quoted in Greenwood, "Free Trade, a Variable Experiment," 318, n.

Saltaire [a major textile producer] illustrated the ruin that had been wrought in other trades."⁶¹ "The dawn of Free Trade in America," wrote another, "was distinctly perceived by Sir Robert Peel over forty years ago. Since that time the tendency has always been in one direction, to increase the duties on foreign goods, and to adopt every measure that ingenuity can devise for the purposes of hampering English trade." As for the contention "that foreign tariffs cannot seriously interfere with our prosperity," it was "as great a fallacy as it is to contend that great industries cannot grow under a Protective system."⁶²

Doctrinaire Free Traders had a response even for this: capital and labor diverted from one field of endeavor simply moved into another. However, came the rebuttal, there is nowhere in England any evidence of such compensation but rather "a deeper gloom is settling over most factory business"; there was no such diversion but only the reduction of wages and profits which reduced the spending power of men and masters and prolonged the depression.⁶³

The only American contribution to this controversy in the British press was Andrew Carnegie's essay on "The McKinley Bill." Though it was intended, in part, to placate British readers and though it went even beyond his speech to the Liverpool Reform Club by predicting that British exports

⁶¹ Greenwood, "Free Trade, a Variable Experiment," 318.

⁶² Jennings, "The Trade League against England," 904-05, 907.

⁶³ Greenwood, "Free Trade, a Variable Experiment," 318-19.

to the United States would increase, Carnegie nevertheless made it clear that "McKinleyism" did in fact represent a challenge to Great Britain. He claimed that the new tariff had "a neutral tint, neither Protective nor Free Tradish," for it enacted many reductions as well as increases. Enough duties had been abolished "to give joy to every member of the Cobden Club; but whether this application of the doctrine which the club preaches will prove for Britain's interest I know some sagacious thinkers in Britain who will gravely doubt."⁶⁴

The reductions in the new tariff, Carnegie pointed out, had been made chiefly in duties on raw materials used for manufacturing. Furthermore, Section 25 of the McKinley Act provided that rebates, equal to the duty levied, should be paid to American manufacturers who exported goods of which the raw material had been dutiable. This clause, he claimed, would "affect Europe more in the future than any increase of duties under the Bill." With a protected home market, with cheaper raw materials as the result of tariff reductions or rebates, with the possibilities for increased trade arising from the reciprocity clauses, and with the development of an American merchant marine by means of the recently enacted shipping subsidies legislation, the new law not only did not place American manufacturers at a competitive disadvantage in world trade but placed them "in a highly favourable

⁶⁴Andrew Carnegie, "The McKinley Bill," Nineteenth Century, XXIX (June, 1891), 1027-28.

position both for the home market and for the foreign."⁶⁵

Carnegie reminded his English readers that the United States was still the most important consumer of British products in the world and he offered them the consoling statement that "the fear that the new Bill would reduce the foreign trade [of Great Britain] seems, so far, to be proved groundless." He even anticipated that British exports to the United States would "steadily increase." But it was clear that he believed that such increased trade in the future would be on American terms. And, while "the Briton will search in vain through all his colonies and possessions for such a great and constantly expanding markets for his products as that furnished by his children under the Stars and Stripes," the entire New World and even beyond would be the province of the almost unlimited economic development which became available to the United States by virtue of the McKinley Act.⁶⁶

So the controversy continued. The evidence came in slowly and was not always clear. But there were few people in England in 1891 or 1892 who would have disputed Hurlbert's statement that the passage of the McKinley Tariff marked "the opening of a new chapter in American history--a chapter full of immediate commercial and financial interest to the manufacturing and commercial nations of Europe."⁶⁷ And, while

⁶⁵Ibid., 1029-31. Reciprocity and shipping are treated in Part III.

⁶⁶Ibid., 1034-35.

⁶⁷Hurlbert, "The Fiscal System of the United States," 296.

the English continued to watch the export statistics in the hope of finding what the future held in store for their American trade, there was one significant trend that was quite beyond dispute. The Queen's subjects were leaving for America in large numbers and many took with them valuable skills or large amounts of capital.

Hands across the Sea

Each year well over 100,000 people left Great Britain to emigrate to the United States. No longer did Ireland provide the major contribution to this exodus; in most years the majority of America-bound emigrants were from England, Scotland, and Wales. Few of them ever returned. "They look for higher wages and comfort, and presumably find them." Many of these emigrants, claimed those who favored an imperial customs union, would have emigrated to Canada if only the economic conditions there had been as favorable as they were in the United States under "McKinleyism."⁶⁸

It was not, however, the emigration of the population at large which most concerned most of the disputants in the press. It was the skilled hand and the industrial employer who left for the United States as a result of "McKinleyism" whose departure was interpreted as a great asset for the United States and a grave threat to the British economy.

⁶⁸Cumming, "America and Protection," 375; Tupper, "The Question of Preferential Tariffs," 143. Cumming and Tupper gave widely different and equally inaccurate emigration figures. The peak year of the 1880s (1888) saw 108,692 leave Great Britain and 73,513 leave Ireland for the United States. The figures for 1890 were 69,730 and 53,024 respectively. After 1892 this emigration declined significantly and remained well below 1890 figures (except for 1905) throughout the period 1893-1914.

The impact of the new tariff on the emigration of highly skilled labor was immediate. Already, wrote Moreton Frewen, "while the ink of the Presidential signature is scarcely dry on the McKinley Bill, we are being told that the skilled labourer of Birmingham--the button-maker, the brass-worker, the gunmaker--is getting ready to transfer himself to the Great Republic of the West." If in the past an able-bodied slave had been worth £250, he remarked, "I ought to apologize for asking how much per head this coming exodus from Birmingham, from Bradford, from Manchester, and Middlesbrough [the iron center] will be worth to the United States."⁶⁹ Only a few months after passage of the tariff Carnegie called attention to cables from Liverpool reporting a large adult emigration bound for the United States. According to the cables, they were "of a superior class, accustomed to the comforts of life, many of them mechanics who had been induced to settle in America in connection with the establishment of British mills and factories" in the United States.⁷⁰ Skilled laborers were also being lured from England by American employers:

The shortest way of obtaining the best skilled labour in many processes of manufacture is to seek it in England; M'Kinley tariffs throw thousands of good artizans out of work altogether, lower the wages of thousands more, deepen whatever fear there may be that trade is leaving the country, and so make it

⁶⁹Frewen, "The National Policy of the United States," 676-77.

⁷⁰Carnegie, "The McKinley Bill," 1034.

easier to draw off to America first-rate men. It is the best who go, and those who are most capable of helping to found competitive factories in the shortest time.⁷¹

The linen trade⁷² and the tin-plate trade were infant industries in the United States which relied particularly on skilled British labor. When the delayed tariff increase on tin-plate took effect in mid-1891 and the Welsh producers thought it might be necessary to go to half-time production, The Economist warned them that "it is quite possible that any serious stoppage of production in South Wales might tempt the men to offer their services to producers on the other side of the Atlantic."⁷³ At the same time the British consul at Chicago reported that the Americans were already tinning imported sheets with the help of foreign skilled labor.⁷⁴ Enough English tin-platers had emigrated to the United States that in 1894 the Welsh manufacturers launched a campaign to have them return.⁷⁵ The emigration of such workers to the United States, claimed Edwin Burgis, was one of the "perils to British trade." American competition, he wrote in 1895, had led to "the exportation of the flower of the working class."⁷⁶ This departure of skilled labor was still being lamented in 1897 when the American challenge intensified.⁷⁷

⁷¹Greenwood, "Free Trade, a Variable Experiment," 319.

⁷²See "Ultonia," letter to The Economist, April 22, 1893, 480.

⁷³The Economist, MTS, June, 1891, 4.

⁷⁴Ibid., 9.

⁷⁵The Times, October 1, 1894, 9.

⁷⁶Edwin Burgis, Perils to British Trade: How to Avert Them (London: Swan, Sonnenschein & Co., 1895), 196-98.

⁷⁷See J.B.C. Kershaw, "The Future of British Trade," Fortnightly, LXII n.s. (November, 1897), 740.

The engineering strike of that year caused a great commotion in England and there were reports of widespread talk among British mechanics of going to America if the engineering trade went there.⁷⁸

Of even greater concern than the loss of skilled labor were the numerous mills and factories which British capitalists established in the United States after the McKinley Act was passed. British capital investment in the United States was nothing new, of course. What alarmed and angered many British observers was the large number of British firms, including some very prominent ones, which transferred their works or built branch plants in the United States in order to manufacture behind the McKinley Tariff wall.⁷⁹ "It is said that the mere mooted of the McKinley Act has sent many of our capitalists and manufacturers across the Atlantic to make inquiries as to starting business there," Cumming declared. Before the end of October the American correspondent of The Economist reported excitement over "the frequent announcements of late of manufacturers in England and elsewhere,

⁷⁸According to Angus Sinclair, editor of the American journal, Locomotive Engineering, quoted in The Times, December 4, 1897, 11. For more on the effects of the engineering strike, see Part III.

⁷⁹See, however, the discussion of the "American Invasion" in the Epilogue. This alleged invasion consisted not only of products and of sales offices but also of American manufacturing establishments. Granting that the migrations of capital took place under rather different circumstances, British public opinion nevertheless seems to have been rather inconsistent in seeing both the establishment of British factories in the United States and the later establishment of American factories in Great Britain as threats to British well-being.

who intend, or contemplate, transferring their industries to the United States." As the Earl of Dunraven noted: "If we cannot manufacture goods here and export them to the United States or some foreign country, capital invested in mills in the United Kingdom is withdrawn and devoted to manufacturing those goods in the United States or in that foreign country."⁸⁰ In the following months there continued to be widespread talk of British capitalists attempting to save their American markets by moving their businesses to the United States. "Symptoms of such a movement have already appeared in some quarters of manufacturing England."⁸¹ One Englishman even argued that British investors had contributed to the problem; Samuel Plimsoll claimed that the American trusts had been the chief architects of the new tariff and that British capital had been involved in the establishment of some of them.⁸²

It was not long before specific and prominent examples were being widely noticed in the British press. Most cases occurred in the textile industry, whose woolens, plushes, and silks were especially hard hit by the new rates. Two months before the McKinley Act was passed, The Times, citing a recent

⁸⁰Cumming, "America and Protection," 375-76; The Economist, November 1, 1890, 1387; Earl of Dunraven, "Commercial Union within the Empire," Nineteenth Century, XXIX (March, 1891), 518.

⁸¹Hurlbert, "The Fiscal System of the United States," 297.

⁸²Samuel Plimsoll, "'Trusts': An Alarm," Nineteenth Century, XXIX (May, 1891), 944.

issue of Bradstreet's, reported that in anticipation of higher duties British thread manufacturers had established factories in the United States. A new town was to be built in Pennsylvania grouped around cotton mills financed by British capital from the textile center of Oldham. New Oldham was to be located in Chester County on the main line of the Pennsylvania Railroad and the cotton mills were to be staffed by English operatives.⁸³ It was perhaps this same group to which Jennings referred when he wrote that unnamed English capitalists were planning to build "extensive cotton mills" in Pennsylvania. The manufacturers were quoted as saying that since they could not break down the wall of protection they would get inside and take advantage of it. They proposed "to take over their factories instead of their products."⁸⁴

Other branches of the British textile industry were similarly motivated. A Scotch gingham manufacturer announced that he was negotiating for a factory site in Connecticut. "The gentleman in question explains that, owing to the new tariff, the removal of the business is necessary."⁸⁵ Messrs.

⁸³The Times, August 1, 1890, 3. Its correspondent, perhaps in something of a pique, commented that the English owners of Pennsylvania mills could not expect their operatives to remain satisfied for long with English-level wages; thus their goods could not be produced more cheaply than American goods and no one would be better off except "the people in old Oldham who will have more room to breathe"; ibid.

⁸⁴Jennings, "The Trade League against England," 903.

⁸⁵The Globe, quoted in Earl of Dunraven, "Commercial Union within the Empire," 518.

Lister and Company of Yorkshire, makers of velvets and plushes and apparently a bellwether of the industry, so widespread was the attention given their plans, announced that if the new duty levied on its products was to be 90%, as proposed, they would have to establish factories in the United States. Other textile makers of the North would be similarly injured by the new rates and "many of our prominent dress-good manufacturers contemplate similar action."⁸⁶

Once the tariff had passed, Lister sent agents to Philadelphia to acquire a site for American operations. "The gentlemen, on being interviewed, said that under the M'Kinley Tariff it was impossible for them to retain the American trade. America was once their chief market. Now, however, the increase of the duty on the lower grades of silks brought prices to the point at which English firms could not compete with American houses." Lister planned a major American establishment employing a thousand workers or more. American manufacturers were overjoyed; they saw the action as evidence that the new tariff would make them prosper, for their major competitors would no longer be able to produce goods more cheaply because of lower European wages.⁸⁷

By June, 1891, less than a year after passage of the tariff, Carnegie could present English readers with a long

⁸⁶ St. James Gazette, quoted ibid.

⁸⁷ The Times, October 28, 1890, 5; October 29, 5; the same reports were noted in Jennings, "The Trade League against England," 904.

list of British firms which were already manufacturing in the United States or which had purchased land for the erection of plants. One of the largest makers of Bradford goods was establishing a factory in Rhode Island. Messrs. Smith & Kaufman, makers of plush, were operating in New York. The "celebrated" textile manufacturers, the Saltaire Company, were producing goods at a factory in Bridgeport, Connecticut. The Nottingham textile firms of Messrs. Wilkinson had purchased a large factory near Hartford, Connecticut, for the manufacture of plushes and shawls. The Reddish Spinning Company of Lancashire was ready to start production at its factory in New Jersey. Messrs. Ingram, a large calico manufacturer, and Messrs. Nairn, the principal linoleum producers of Scotland, were also about to establish works in the United States.⁸⁸

The same process of transferring British factories to the United States took place in the metals and related industries, though on a much smaller scale than in the textile trade. The British trade most seriously injured by the McKinley tariff was without doubt the Welsh tin-plate industry.⁸⁹ In mid-1890 The Times carried reports from Pittsburgh that a large Welsh-financed tin-plate factory would be established there if the new tariff increased the tin-plate duty.⁹⁰

⁸⁸Carnegie, "The McKinley Bill," 1033-34.

⁸⁹See Chapter V, "Coal, Iron, and Steel."

⁹⁰The Times, May 21, 1890, 5.

Such reports continued to circulate and by 1892 they were confirmed.⁹¹

Under the impact of the McKinley Tariff other British metal trades crossed the Atlantic. Within two weeks of its enactment, a leading Sheffield firm was making plans to move its plant and its skilled workers to the United States. A major Lake Michigan ship-building firm was purchased by British interests. An English syndicate purchased one of the principal type foundries of the United States with a view toward establishing a trust.⁹²

The industrial growth of the American South attracted considerable attention in the British press.⁹³ The steel industry of the South had been started on the premise that low-cost competitive steel could be made by the basic-hearth process, together with the advantages of nearby ore and fuel in abundance. A number of English firms had established plants using the basic-hearth process in Birmingham, Alabama, at Middlesborough, Kentucky (the names of both carried overtones of national industries for British readers), and elsewhere in the South. Glasgow, Virginia, an iron ore and coal center, was operated by an Anglo-American company. Middlesborough, Kentucky, was "strictly an English enterprise. It is

⁹¹The Economist, MTS, July, 1892, 3-4; November 19, 1445.

⁹²C.E. Howard Vincent, prominent protectionist, letter to The Times, October 22, 1890, 3; The Times, July 3, 1890, 5; January 8, 1892, 3.

⁹³See Chapter V, "American Industrial Growth."

so far an English town in the Southern States, built and run with English money." The Duke of Marlborough anticipated the success of these Southern steel ventures and their stimulation of other manufacturing operations, particularly textiles. Before long, he predicted, Southern cotton, "instead of crossing the seas to Liverpool," would be consumed by an immense Tennessee cotton industry. The Duke solicited additional English capital to finance a Southern railway combination capable of preventing Jay Gould's rail interests from adversely affecting the substantial British investments in the industrial South.⁹⁴

⁹⁴Duke of Marlborough, "Virginia Mines and American Rails," Fortnightly, XLIX n.s. (May, 1891), 780-97, especially 785-86 and 794-96; similar information appeared in an article by the President of the British Iron and Steel Institute: James Kitson, "The Iron and Steel Industries of America," Contemporary, LIX (May, 1891), 635-38. There is no direct evidence in either of these articles that the establishment of such English-owned and -operated ventures was considered as anything other than an excellent investment opportunity. However, appearing as they did at a time when many in England were seriously disturbed at the loss of British capital due to "McKinleyism," they could only intensify such fears. The whole question of the transfer of capital is complex and information is scanty and tentative. Many companies were formed to "boom" American land investment in England. Middlesbrough, Kentucky, was one of the areas so developed. The Economist frequently found it necessary to warn its readers of the speculative nature of such ventures and the inflated prices of American industrial shares. See The Economist, May 31, 1890, 691-92; June 7, 725; June 21, 789; and June 28, 825-26. Moreover, the transfer of capital was a two-way process. A British company was formed to acquire the entire assets of "the well-known firm of Fraser and Chalmers, of Chicago, U.S.A. . . . and to extend the business by the erection of works in England, where mining and other machinery will be constructed."; The Economist, January 11, 1890, 49. And there were occasional reports that, due to the highly favorable American balance of trade, American securities were returning to the United States from England and elsewhere in large quantities. See, for example, The Economist, January 20, 1894, 81-82.

Carnegie had no doubt that these early transatlantic ventures were but the first of many to come. Others would follow, "led by the wise conclusion that it only requires a few years in the United States for them to earn most of their profits upon this side if they begin to manufacture here, for it has been the experience of several branch establishments on this side that they have soon outgrown the main business at home."⁹⁵

The Chicago Exhibition

When the United States decided to commemorate the discovery of the New World by displaying American achievements at a World's Columbian Exposition to be held in 1892, New York City confidently expected to be designated as the site. It was the heart of commercial and financial America, great entrepot for the world trade of the United States, and adjacent to the major American industrial centers. In the minds of Americans, and of the English as well, New York City was the capital of economic America. Yet, despite the efforts of New York politicians, the prize went to Chicago. In the eyes of many Englishmen (and of some irate New Yorkers as well), Chicago and still more so St. Louis, which also had made a serious bid to host the Exposition, were but one remove from Indian country. The selection of Chicago, a thousand miles from the Atlantic, dramatically called attention

⁹⁵Carnegie, "The McKinley Bill," 1033-34.

to a significant tendency. "Westward the course of empire," commented The Times, was just as applicable in 1890 as when the dictum had been uttered in the eighteenth century. Industrial America continued to expand at a tremendous rate; it could no longer be contained on the Eastern seaboard. The competition which British manufacturers faced in the American and other markets no longer originated exclusively in the original colonies but across a great continent. As The Times recognized, the American Midwest was rapidly coming into its own as a manufacturing center. Chicago was the heart of this new industrial area as New York was of the country at large.⁹⁶

The World's Columbian Exposition, more commonly known in the United States as the Chicago World's Fair and in England as the Chicago Exhibition, was planned as a mighty display of American growth and achievement. It was designed to be a major international event, attracting visitors and exhibitors from all over the globe. The Americans wished to impress them all, but they desired especially to bring to the attention of those nations with which they shared the New World that the United States was eager and more than able to supply their need for manufactured goods.⁹⁷

The Chicago Exhibition was being planned at the same time

⁹⁶The Times, leading article, February 27, 1890, 9.

⁹⁷See the letter of Henry Trueman Wood, Secretary to the British Royal Commission for the Chicago Exhibition, to The Times, September 4, 1890, 4.

that the United States Congress was debating the McKinley Bill. It was held in 1892-1893. It took place, therefore, at a time when Anglo-American commercial relations had been exacerbated for more than two years by the effects, real and alleged, of the McKinley Act. In Great Britain there was considerable opposition to recognizing or participating in the Exhibition. However, neither the Exhibition itself nor the hostility toward it attracted much attention in the British periodical press. National newspapers such as The Times and The Economist, especially the former, published news reports during the planning and construction stages of the Exhibition and occasional articles on it once it had opened, but they seldom editorialized on the significance of the Exhibition.

Yet discussion of British participation was apparently extensive. It was carried on within organizations such as the Society of Arts, which the British Government had designated to serve as the British Royal Commission for the Chicago Exhibition. It was carried on in the local press of Britain's great manufacturing cities and in the trade organs of Britain's great industries. It was at these levels that resistance to British participation was strongest. At the center of many of these discussions were two individuals, both of whom had the responsibility to encourage maximum British participation at the Chicago Exhibition. One was the Englishman, Henry Trueman Wood, Secretary to the British Royal Commission for the Chicago Exhibition. The other was

the American, Robert McCormick, official United States representative to Great Britain for the Exhibition.

Wood and McCormick spent much of their time dealing personally with directly concerned individuals and organizations such as local chambers of commerce and trade associations. But both of them also managed to bring their arguments in favor of full scale British participation before a wider audience. Wood did this by means of an essay in The Nineteenth Century. McCormick delivered a vigorous address on the Exhibition and Anglo-American trade before the Society of Arts which was immediately published in pamphlet form. This address, and other similar speeches, elicited considerable response in the British press, extracts of which, published as addenda to the McCormick pamphlet, amply testify to the fact that his arguments were well known and widely discussed throughout England.

Even in their more public appeals, Wood and McCormick were addressing themselves particularly to that group in England which was most strongly concerned about the effects of "McKinleyism." They were attempting to persuade a sometimes indifferent but more often a hostile British industrial-commercial community of the prudence of making a good showing at Chicago. To accomplish this Wood and McCormick had to deal with that community on its own terms and to provide effective counterarguments to its objections. Thus their appeals provide valuable insights into the state of British opinion regarding "McKinleyism" and the American challenge.

There were a number of reasons for British reluctance to exhibit at Chicago. It was a great distance from England. Displays had to be shipped across the Atlantic and then transferred to railway cars for the final stage of the journey. Consequently the cost of exhibiting was high.⁹⁸ Very little financial assistance was provided by the British Government, in contrast to the handsome subsidies provided German, French, and other exhibitors. Furthermore, during the early stages of construction and preparation, a number of foreign workmen had been dismissed from the Exhibition grounds in Chicago. British exhibitors feared that American federal and state alien labor legislation might force them to rely on American workmen, who were not familiar with the equipment and the goods they would be required to handle.⁹⁹

But the real obstacle, as Wood recognized quite clearly, "is, of course, the McKinley Tariff."¹⁰⁰ As the British trade journal Engineering noted two days after McCormick's address:

The tempest of anger and alarm which . . . the McKinley tariff excited in Europe about eighteen months ago has died away, but it has left behind it a feeling of resentment among manufacturers on this side of the Atlantic, which bids fair to be permanent, and in this country, at least, to do far more damage to British trade on account of prejudice and misconception than from any actual restrictions it

⁹⁸Henry Trueman Wood, "Chicago and Its Exhibition," Nineteenth Century, XXXI (April, 1892), 561.

⁹⁹The Economist, March 21, 1891, 372.

¹⁰⁰Wood, "Chicago and Its Exhibition," 561.

has set on our export business with America. The volume of our export trade has decreased, it is true; the Bill was intended to foster foreign [that is, American] industries. . . and this it is doing. . . . [Yet] we have a vast, and what should be, an increasing export trade to America.¹⁰¹

Over and over again in his negotiations with potential exhibitors, Wood was asked why English manufacturers should display their products before a people who were doing their utmost to exclude them. Wood's response to this persistent query was two-fold. He first tried to persuade his audience that the McKinley Tariff was not the formidable threat that many Englishmen believed it to be. He maintained that it was "by no means certain that the new tariff will have the effect expected of it" and, for confirmation, he cited Carnegie's article in The Nineteenth Century which had anticipated the maintenance of British exports to the United States. Wood commented on the tariff that "large classes of our goods are not touched by it; the duties on some others are reduced. Very many can stand the increased rate, which is paid by the American consumer in higher prices, while for others, again, no duty is protective, since they cannot be made in America at all." Furthermore, he reminded them that Britain was not a Free Trade nation because she loved other countries, but because most Englishmen believed that Free Trade was the policy best suited to serve their interests. "America is

¹⁰¹ "English and American Trade," Engineering, April 8, 1892, reprinted in Robert McCormick, The Future Trade Relations between Great Britain and the United States and the World's Columbian Exposition to Be Held at Chicago in 1893 (London: W. S. Trowce, 1892), 27-28.

of the tariff in American politics, there always was the chance that it might be altered. However, he speculated, "whether this will be to our advantage remains to be seen; those who are entitled to express their opinion on the question do not hesitate to state their belief that the day when America becomes a free-trade country will be a disastrous one for British commerce." But even if the tariff were as potent in excluding British manufactures from the American market as some English critics insisted, Wood declared it to be "the interest of British manufacturers to fight it in every way, to destroy it if possible, to render it nugatory if it cannot be destroyed."¹⁰³

If one part of Wood's calculated appeal to potential British exhibitors was to dismiss many of the allegations as to its harmful effects, he did not ignore or minimize the reality of the serious challenge which American industry and the Chicago Exhibition posed for the British. To see the Chicago Exhibition only in terms of the American market was to take too narrow a view of things, he claimed. The Exhibition was not merely an American but an international event. It would attract visitors from every part of the world and all of them were present or prospective customers. In particular

the Chicago people expect of have large numbers of visitors from South America, and they regard the

¹⁰³Ibid., 562-63. Much of Wood's argument paralleled that of The Economist and, to a lesser extent, that of The Times. See the following chapter.

exhibition as offering a most favourable opportunity of getting our South American trade away from us. If they are correct, it is essential that our manufacturers who make for the South American market should be prepared to keep themselves in the minds of their customers from that continent who visit the exhibition.¹⁰⁴

Wood's conclusion was a dramatic appeal to English pride and self-interest. "Are we to lie down supine before the barrier" which our best customer by far "has erected to protect her own industries, wringing our hands in distress because it is difficult to pass?" British commercial greatness had not been created that way and it could only be maintained if the British strenuously exercised every legitimate means to surmount such difficulties.

We must show the Americans that, in spite of all the artificial obstacles they can place in the road, we can still make our way into their markets. We must prove that in certain classes of manufactures we can still beat them. We must seize every opportunity of showing them--where we can--how much better our wares are than theirs, and so long as we can do this, we need not fear hostile tariffs. When we fail to do so, we may admit ourselves beaten, get rid of seven-eighths of our population, and set the rest to grow cheese and butter for their own consumption.¹⁰⁵

The case which Robert McCormick made before the British public was similar: the United States was Britain's best customer and could be expected to continue as such for some time at least; nevertheless, in the near future the United States would be a very serious competitor. For both reasons Great Britain should make every effort to mount an effective display at Chicago. But, whereas Wood particularly emphasized

¹⁰⁴Ibid., 561.

¹⁰⁵Ibid., 563.

that fears of "McKinleyism" were exaggerated, McCormick laid heavy stress on the theme of American competition. His Society of Arts address, published as The Future Trade Relations between Great Britain and the United States and the World's Columbian Exposition to Be Held at Chicago in 1893, was perhaps the strongest detailed statement of the American challenge offered to the British public between 1890 and 1897.

To the present time, according to McCormick, Great Britain had experienced relatively little serious American competition "and her manufacturers are inclined to smile at the United States, 80 per cent. of whose exports are food products and raw materials, entering the field . . . with their manufactured goods." But there were ample reasons, said McCormick, for the British to expect that situation to change drastically and soon.

The United States already surpassed Great Britain in the production of iron and steel. She was already active in the export field. Notwithstanding the worldwide depression of trade which followed the Baring crisis of 1890 and which caused British exports to shrink, the United States had increased its manufactured exports by 7.3% in 1891. Impressive gains had been made in glassware, hardware and tools, sewing machines, general machinery, and especially locomotives and railway cars. In addition, British manufacturers no longer held the competitive edge over their American rivals which once they had enjoyed in a crucial factor for industrial production: the United States now produced coal more cheaply

than Britain could. Therefore, though it was true that presently food and raw materials constituted the preponderant portion of American exports, that would not continue to be the case indefinitely.¹⁰⁶

The great American growth area for more than half a century had been the West. It continued to grow and to that growth the decision to locate the Columbian Exposition at Chicago was eloquent testimony. But the United States now had still another area which was being rapidly developed. The discovery of coal and iron in the South had led to the opening of steel mills. The railroads, which long had shunned the South as unprofitable, were building thousands of miles of new track there. Such facilities encouraged the expansion of the already important Southern textile industry.

Since no other sector of the British economy, not even woolens, and iron and steel combined, approached in value the product of the British cotton industry, which represented 22.5% of total British manufactures, Great Britain had legitimate cause for concern. The United States presently exported £58,000,000 worth of raw cotton and only £2,700,000 worth of cotton manufactures, but in time those figures would come together and even reverse themselves, and then "you must divide with us, at least, the trade in cotton manufactures" in the neutral markets of the world. It was not the tariff, said McCormick, but natural economic causes which would first

¹⁰⁶ McCormick, Future Trade Relations, unnumbered pages of the Preface and 22-23.

eliminate British textile exports from the United States and then "bring the United States to the fore as a competitor in this line of manufacture in your other foreign markets, prominently in South America, China, and Japan."

It is no more in accordance with natural laws for you to bring the cotton from the United States, and send the manufactured article to countries in closer proximity than you yourself to the cotton fields, than it was for you in the 16th century to send your wool to Flanders to be manufactured and distributed from there to the consumers. The place for the cotton mill is in or adjoining the cotton field, and there the next generation at the latest will find it in its most prosperous condition.¹⁰⁷

Other factors than the McKinley Tariff were bringing closer the time when the United States would be a serious rival. American manufacturers were going to be materially assisted by the reciprocity treaties already signed or being negotiated under the McKinley Act. Even more important than these treaties was the projected Nicaraguan Canal. When completed, it would provide American East Coast ports with a 2,700 mile advantage and Gulf Coast ports with a 3,700 mile advantage over British ports in reaching the markets along the western shores of North and South America.¹⁰⁸ It would also give New York an advantage of several thousand miles over Liverpool in reaching much of Asia, so that the United States would be a competitor for the lucrative textile markets of that area. This would in turn stimulate American shipping; though it was German shipping which currently concerned the

¹⁰⁷Ibid., 20, 22.

¹⁰⁸Ibid., unnumbered pages of the Preface.

British, "we will soon be in a position to take the field as competitors."¹⁰⁹

Nevertheless, McCormick believed, a proper appreciation of the competitive potential of the United States should not make the British overly apprehensive for Anglo-American trade. Presently the United States was Britain's best foreign customer by far, buying half again as much as her second most important foreign outlet, Germany. Despite the McKinley Tariff, despite the large stocks of British goods which the Americans had accumulated in anticipation of that tariff, and despite the slackening of trade worldwide, many classes of British exports to the United States had in fact been increasing, most notably iron and steel manufactures, woolen and worsted goods, and drugs and chemicals.¹¹⁰ McCormick saw the American market for British products expanding for some time into the future. "For while our resources are such as to point to our becoming in time such competitors, we have too much else to do in the way of what might be called 'opening up the country' to enter for the present vigorously upon that career which will be ours in due time." Therefore, he concluded, "the exports of Great Britain to the United States must continue to be large, increasing for a time at least from year to year. . . . [but] as it reaches its maximum you must expect to find us running you close in markets of the world foreign to both,

¹⁰⁹Ibid., 20-21, 23.

¹¹⁰Ibid., 18-20.

for we will then be powerful competitors in other fields."¹¹¹

As for Anglo-American trade relations of the future, McCormick suggested, much depended on such things as the readiness of British producers to adopt new machinery, to change their business methods, and to respond to changing tastes and requirements. It was their failure in these areas, far more than the McKinley Tariff which the British were so prone to blame, which really accounted for the recent slowness of the British export trade. The Americans were far more aware of the importance of such things; they were constantly seeking to keep up to date in their line of business. They bought samples of new products manufactured anywhere in the world so that they could copy and produce them, a practice which many British manufacturers very strongly resented. But, if British manufacturers should stay away from Chicago so as to avoid having their products copied, as a member of the Liverpool Chamber of Commerce had suggested, they would soon find out that the Americans had not only already copied their newer products and begun to manufacture them, but they would in fact be exhibiting and selling them at the Chicago Exhibition. The present capabilities of the United States which McCormick had vividly described were, he said, merely the "thin edge of the wedge." If that wedge were not to be driven farther and faster, the British would need to make a good showing at Chicago.¹¹²

¹¹¹Ibid., 24-25.

¹¹²Ibid., 23-25.

In the wake of Wood's article in The Nineteenth Century and McCormick's address, the Society of Arts sponsored a meeting at the Mansion House to encourage maximum British participation in the Exhibition. The meeting was presided over by the Lord Mayor and attended by Wood, McCormick, representatives of the London Chamber of Commerce, and other interested parties. In opening the meeting the Lord Mayor insisted that it was "of immense importance to England that she should be well represented. . . .trade competition was never greater than at the present moment, and having regard to the keen rivalry of the Americans, Germans, and other nations," Great Britain could not afford to be overshadowed at Chicago.¹¹³

The notion of economic competition as a form of warfare which, as we have already seen, so permeated the initial British reaction to the McKinley Act, was equally apparent in the discussions of British participation in the Chicago Exhibition. "An Exhibitor" called the Exhibition "a great commercial battlefield, in which the hosts of the United States, of Germany, and of England, will be drawn up to struggle for supremacy in the markets of the world."¹¹⁴ The same theme pervaded the Mansion House meeting. Wood, after repeating the substance of his recent article, concluded with the admonition that

English manufacturers must remember that the competition of other countries was becoming, day by day,

¹¹³"Meeting at the Mansion House," Journal of the Society of Arts, reprinted in McCormick, Future Trade Relations, 30.

¹¹⁴"Correspondence," Engineering, April 1, 1892, reprinted ibid., 36.

more intense. . . .The Americans themselves looked upon this exhibition as a magnificent opportunity for robbing us of our South American trade, and they were doing their best, quite legitimately from their point of view, to take it away from us, and we must do our best to prevent them.¹¹⁵

McCormick referred to the Exhibition as a "war of friendly commercial rivalry." He insisted that the Americans were quite willing to enter into "a friendly contest" with England to obtain what they felt to be their fair share of the South American market. "They would try," he warned, "to undersell the old country and would be able to supply quite as good a quality of goods."¹¹⁶ Sir Owen Tudor Burne, a member of the Royal Commission, said that the Chicago Exhibition might be England's "last struggle to maintain her pre-eminence in the commerce of the world."¹¹⁷ Sir Philip Cunliffe-Owen claimed that "they would push us out of the market if we would allow it, but if we did it would be our own fault." He called the Exhibition "the final effort" where the British had "to show our relatives in America" that the British were still alive and "not going to be superseded by any other nation." Cunliffe-Owen also hopefully predicted that the Americans would be aroused to abolish the McKinley Tariff once they had seen the lower price tags on British goods at Chicago.¹¹⁸

¹¹⁵"Meeting at the Mansion House," reprinted ibid., 31.

¹¹⁶Ibid., 32.

¹¹⁷Ibid., 33.

¹¹⁸Ibid., 32.

At the same Mansion House meeting, Sir Douglas Galton recalled attending the Philadelphia Exhibition in 1876 and that even then "American manufacturers ran their English competitors very close indeed, especially in machinery." Unless they wished to lose their trade to the Americans, he said, British machinery manufacturers needed to make a particularly good showing.¹¹⁹ That industry's trade journal, Engineering, was quite alert to the American challenge and strongly promoted adequate British participation at Chicago on the grounds that "it is not perhaps so much the prospect of doing new business, as of saving existing trades from pillage that should form the main motive." Britain's trade and wealth were envied on every side, according to Engineering, "and will be snatched from us by our foreign competitors whenever the opportunity occurs." Britain's chief weakness it pronounced to be "the national belief in our own superiority and our contempt of the competing foreigner."¹²⁰

Engineering described at great lengths the evils of "the wicked and foolish McKinley tariff that prevents so many millions of United States citizens from enjoying the benefits that could be showered upon them from this country." Nevertheless, it argued, whatever valid reasons there might be against British participation in the Exhibition, the tariff was not one of them. Germany's grievances against that tariff

¹¹⁹ Ibid., 30.

¹²⁰ "English and American Trade," reprinted ibid., 29.

were as strong as Britain's, but Germany was planning a lavish exhibit at Chicago. Such German activity at Chicago was, in fact, seen as still another major challenge to Great Britain.¹²¹

But Engineering's real concern for the future was American competition. "It has often been stated in these columns that the United States Government is making a carefully organised attack upon our South American trade and . . . the campaign is being pushed forward with energy." It expected British trade to remain preponderant in South America, but "it is very different in Central America" where railway systems were being established

with incredible repidity, affording rapid and direct connection between the manufacturing centres of the States and purchasing districts of large commercial value. The completion of the Nicaraguan Canal--which may be looked for in a few years--will also help to shift centres of trade, and to bring American and foreign ports, where the British merchant flag¹²² is now more or less supreme, much closer together.

The greatest immediate threat, according to Engineering, was American competition with British cotton goods. In this trade, which was Britain's most valuable by far, "we are within measurable distance of a great revolution in our industrial relations with the United States." It was only a question of time, "and possibly of a comparatively short time," when the great surplus of American wealth would be invested in placing the cotton mill near the cotton fields of the South "and the same revolution we have seen in India [whose cottons were

¹²¹Ibid., 28.

¹²²Ibid.

seriously competing with those of Britain in Asia] will be repeated, only on an indefinitely larger scale."

Already this movement is on foot, and an astounding impetus will be given to it when the Nicaraguan Canal will be opened, and America will possess a shorter route to India, to Australia, and to the extreme East than ourselves. Mr. McCormick does not doubt that what is probable for one great industry may readily be possible for many others, and he evidently dreams of seeing the United States commercial mistress of the world in the future.¹²³

Despite such grave warnings of the dangers of non-participation, resistance remained strong in England. In April, 1892, just a few months prior to the opening of the Exhibition, so important a manufacturing center as Manchester had still not arranged to have a single representative at Chicago. McCormick and others who had been at the Mansion House meeting travelled to Manchester to address a public meeting at the town hall. Manchester manufacturers voiced the common complaint: it would be folly to pay the cost of shipping articles 4,000 miles only to have them copied by American competitors.¹²⁴

Henry Trueman Wood professed not to be seriously concerned about such public displays of reluctance:

There seems to be no reason to fear that the country will fail to keep the leading position it has always held since the first Exhibition was held in Hyde Park in 1851. It is to be remembered that we have a character to maintain. The British Section has always been the best at foreign exhibitions.

¹²³Ibid., 29.

¹²⁴"Public Meeting in Town Hall," Manchester Guardian, April 9 and 11, reprinted ibid., 38-40.

British manufacturers, he maintained, "generally seem quite alive to the importance of the occasion and preparations are now being made in various parts of the country for a display of certain classes of British goods which promise to eclipse even the fine collections shown before on similar occasions." "Should it prove otherwise," he said, "it would be disastrous" and among Britain's rivals it "would justly be held a symptom of the decadence of our commercial powers."¹²⁵

Wood, however, had underestimated his countrymen's hostility to the McKinley Tariff or their commercial apathy or both. When the Exhibition Catalogue was published in the spring of 1893, The Economist commented that, though the British section seemed to be strong in fine arts, electricity, mining, motive power, transportation, and women's work, it was weak in many respects, especially in manufacturing. "Too many of our firms," it said, "allowed an unreasonable fear of the McKinley Tariff to prejudice them against sending their products to Chicago."¹²⁶

The campaign to promote an adequate British display at Chicago seems to have generated considerably more discussion than did the Exhibition itself. When Chauncey Depew formally opened the Exhibition with a mighty speech celebrating American achievements, The Times took editorial notice of the event and its significance. It spoke of the "many services" which

¹²⁵Wood, "Chicago and Its Exhibition," 564-65.

¹²⁶The Economist, May 6, 1893, 540.

the United States had rendered to Europe and to England. "Not least among them is the spectacle they have given of a material prosperity greater than had been known before, and of an energy and resolve which have done much to make the powers of nature subservient to the benefit of man."

The fact remains that the United States have done what has never yet been done elsewhere, and have given proof to the world of what wonders can be brought about by industrial enterprise and skill, animated by a patriotic spirit and by a resolve to take the lead in everything. It is a splendid spectacle.¹²⁷

Once the Exhibition had been inaugurated, however, it received for the most part only terse coverage in the form of news reports of day to day events. Perhaps this should not cause surprise. The British had little reason to take any great pleasure from the competition at Chicago. Many of the British exhibitors were unhappy with the inadequate space and inefficient administration provided for them by the Royal Commission.¹²⁸ The United States, on the other hand, took fullest advantage of its role as host country to put on quite impressive displays. Among foreign participants it was the Germans who took the lion's share of the awards and who could expect as a result a relative improvement of their position in the American market.¹²⁹ Though Great Britain won a respectable number of awards and was by no means humiliated, the

¹²⁷The Times, leading article, October 22, 1892, 9.

¹²⁸See the letter to the British Home Secretary signed by 105 British exhibitors in The Times, August 27, 1894, 7.

¹²⁹See The Times, November 13, 1893, 5.

World's Columbian Exposition was certainly not the decisive display of British pre-eminence which so many Englishmen hoped to make it.

CHAPTER IV

GREAT BRITAIN AND THE PROTECTED AMERICAN MARKET

Having seen several different forms which the British reaction to "McKinleyism" took, it is time to survey the record of British exports to the United States following the passage of the McKinley Tariff. As we noted at the beginning of the previous chapter, the British economy had recovered from the depressed conditions of 1885 and by 1890 there was hope in Great Britain that the Great Depression was over. The United States had contributed demonstrably to the British export expansion of the late 1880s, prompting both The Times and The Economist to acknowledge once again British economic dependence on the United States market.

The British optimism of 1890, however, was premature. That year brought what The Economist called "exceptional obstacles to trade," the most significant of which were the political and financial troubles in Argentina which led to the collapse of the prestigious financial house of Baring Brothers and the McKinley Tariff and the Sherman Silver Purchase Act in the United States which "combined to paralyse business for a time."¹ The combined effects of these obstacles to trade was to launch Great Britain into the last half-

¹Com. History 1890, 1-2.

decade of the Great Depression. British exports had reached a record high in 1890, "the United States again figuring conspicuously" in the improvement as it had in the preceding year. But "that growth took place entirely during the first nine months of the year, and was not continued after the new McKinley tariff regulations came into force at the beginning of October."² The McKinley Tariff thus marked another turning point for British exporters. Just as it had figured conspicuously in the recovery of the late 1880s, so the United States was a major factor in the highly unsatisfactory and difficult conditions which faced British exporters during the first half of the 1890s. The extent of the decline can be seen in the following figures:

British Exports (millions sterling)

	1888	1889	1890	1891	1892	1893	1894	1895	1896	1897
Total	235	249	264	247	227	218	216	226	240	234
To U.S.	28.9	30.3	32.1	27.5	26.5	24.0	18.8	28.0	20.4	21.0

It was indisputable that the British were losing a considerable portion of their American trade in the years following the passage of the McKinley Tariff. But the economic conditions between 1890 and 1897 were so complex and unstable as to allow for a multitude of explanations. That such a loss was anticipated by at least some British observers has been demonstrated

²The Economist, MTS, February, 1891, 1.

in that section of the preceding chapter which examined the "grim expectations" of 1890-1892. These early analyses, however, were far from unbiased; they were, rather, controversial elements of the British domestic debate over fiscal reform. Even the most objective of them was necessarily speculative and tentative, for the real effects of the McKinley Act could only be gauged after it had been in effect for a reasonable length of time. But, instead of clarifying the issue, the passage of time brought a bewildering sequence of events which kept British exporters and economic observers constantly off balance.

The British periodical press, which offered such a spate of articles between passage of the McKinley Act and the presidential election of 1892, displayed little interest in the relationship of British trade to the American tariff after 1892. For analysis of the slowly accumulating evidence on the performance of British goods in the protected American market from the McKinley Tariff to the Dingley Tariff of 1897 and after, one must turn to The Times and above all to The Economist, for which questions of American markets and tariffs were naturally staple items. Here there was no dearth of information and commentary. Both newspapers maintained constant surveillance of British exports. Both believed the American market to be a crucial factor for the progress or decline of British overseas trade.

There was nothing really decisive in the detailed newspaper coverage of the effects of American tariffs on British

trade. The issue remained highly ambiguous between 1890 and 1897. But the unceasing attention given to the question and the attitude of dogmatic hope combined with a frustration verging on despair which marked these press accounts suggest that it was the inability of the British to maintain their American markets that made the American challenge a recognized national problem rather than merely the warning of a few perceptive observers or the shibboleth of British fiscal reformers. As this chapter will attempt to show, the newspapers attributed the losses in the American market principally to American fiscal policy. Only at the very end of the period 1890-1897 did they begin to recognize that American industrial growth, which will be examined in the following chapter, was making the United States less and less dependent on manufactured imports from Great Britain.

The impact of the McKinley Tariff was felt immediately throughout the British economy. Portions of a series analyzing the first nine months of the operation of the tariff prepared by the Associated Press (New York) appeared in The Times. They showed that many major industrial centers of Britain had felt its effects. Liverpool, Sheffield, Glasgow, Leeds and Bradford all reported significant losses. Of all the cities reporting, only Manchester maintained its American trade unimpaired; it continued to ship high quality textiles, the cheaper trade having been lost to the United States even before the enactment of the McKinley Tariff.³

³The Times, September 9, 1891, 3-4.

Perhaps the most disastrously affected industry was the woolen trade.⁴ Throughout 1891 The Economist was filled with dismal accounts from the woolen centers. Bradford complained of "next to no demand being experienced for export to the United States." Halifax reported "that the McKinley tariff has been the turning-point in many a fine business, and accounts for a large part of the depression now so painfully felt." From Leeds came the gloomy prediction that American demand would never fully recover, "for the lower grades of worsteds . . . are practically shut out of the American market by the tariff." Similar reports were filed at the beginning of 1892. While the United States had imported only half as much worsteds in 1891 as it had in 1890, the British Consul-General in New York was reporting that the American worsted industry "has been marked by fresh life since the new tariff has to a great extent cut off the importation of the lowest grades of such goods." Long dormant factories were operating again "and new mills are being erected by European and British capitalists."⁵

Neither The Times nor The Economist panicked at these early adverse results. In a number of leading articles which appeared during the tariff's first year, The Times insisted

⁴Even harder hit eventually was the tin-plate trade, but the higher tin-plate duty did not go into operation until July, 1891. The effect of "McKinleyism" on this industry will be examined in detail in the next chapter.

⁵The Economist, Com. History 1890, 28-29; Com. History 1891, 29-30; MTS, January, 1892, 3; MTS, July, 1891, 8.

that "the attempt to levy blackmail upon the world's industry for the benefit of the United States leaves extensive classes of British trade wholly unaffected and will give back with one hand to the remainder nearly as much as with the other it takes." Though it conceded that the very high rates established by the new tariff were a heavy burden to British exporters, it remained confident "that American manufacturers are unable to compete on anything like equal terms with Englishmen." As a "serious check to the great volume of British trade--an intention which some Republicans undoubtedly entertained--it will turn out eventually futile." Though it could not deny that certain branches of British industry had been severely hurt by the tariff, The Times believed that "the chief permanent sufferer from it will be the country which has been so unwise as to establish it" and that "in the course of time things generally recover themselves." Nearly a year after the passage of the tariff, The Times still insisted that the "total volume of trade between the two countries exhibits no appreciable signs of diminution."⁶ The Economist asserted after six months of experience under the new tariff that it "does not appear to have had any remarkable effect in checking imports into the United States" and that "whilst placing a barrier against the imports of some classes of goods [it] had encouraged the import of others." While also granting that some major British industries had been harmed,

⁶The Times, leading articles, January 2, 1891, 7; August 10, 9; September 11, 7.

especially woollens and iron, The Economist suggested that, as soon as the Americans had consumed the large stocks which they accumulated before the tariff went into effect, exports of these items would be resumed on approximately the old scale.⁷

Nevertheless, certain facts could not be ignored. After the McKinley Tariff had been in effect for a full year, The Economist admitted that "almost all our articles of export to the United States have fallen off during the current year." Total exports to the United States were off by several millions sterling and only the very inflated shipments of tin-plates, in anticipation of the deferred duty, kept them from being much lower still. "It must be remembered," claimed The Economist, "that we are now bearing the brunt, not only of the actual and direct prohibitory power of the tariff, but also of the accumulation of large stocks which . . . has limited the need of further supplies." A short time later this overstocked explanation was called into question when it was noted that "if anything, our trade has become more contracted as compared with 1890, as the year has grown older."⁸

British trade prospects for 1892 were therefore anything but pleasant. The record exports of 1890 had been achieved before the McKinley Tariff and the Baring collapse checked

⁷The Economist, MTS, April, 1891, 1-2; essentially the same message appeared in many issues of The Economist throughout 1891.

⁸The Economist, MTS, November, 1891, 2-5; MTS, December, 1891, 3-4.

British trade, sending the export line on the graph curving downward once again. British exports fell off in 1891 by £17,000,000. More than one-fourth of that loss was experienced in the American market alone; United States imports from Britain declined from £32,000,000 to £27,500,000. The controversial question was, of course, how to explain the loss. Such statistics as these, together with the plaintive reports coming from British manufacturing towns, fostered the "grim expectations" which have already been examined. But even as late as 1892 those who sought to minimize the tariff as a direct factor could offer apparently reasonable alternative explanations. Not only were the Americans still working off the large pre-tariff stocks, but the business boom which many Americans anticipated would follow the passage of the tariff had not materialized; instead there had occurred a minor business collapse as customers proved resistant to higher prices. Early in 1892 The Economist expressed the opinion that these adverse conditions were gradually disappearing and that the McKinley Tariff had already done most of the harm of which it was capable.⁹ In the latter part of 1892 there appeared a number of signs that British exports to the United States were on the verge of recovery. In August shipments of such prominent items of Anglo-American trade as woollen and worsted articles, tin-plate, alkali, linen goods, and cotton goods surpassed those of August, 1891; the exports of

⁹Com. History 1891, 3.

linen and cotton goods were, in fact, the greatest in many years.¹⁰ Near the end of 1892 The Times reported that, "though English iron is virtually excluded from the United States by the M'Kinley Tariff," and the staple trade of the Leeds area, worsteds, "has been shorn of very much of its original dimensions through the operation of the M'Kinley Tariff in America," the manufacturing center of Birmingham had found the American demand for guns, cycles, metal bedsteads, chemicals, anvils, and various kinds of hardware "quite up to average."¹¹

These hopeful signs carried over into 1893, during the first half of which the British were quite optimistic about regaining their lucrative American trade. Its review of 1892 moved The Economist to predict a better year ahead "because in the directions in which we have suffered most, as in our trade with the River Plate countries and the United States, there are some encouraging signs of revival."¹² Other prominent voices professed equally optimistic beliefs. Sir John Lubbock, Chairman of the London Chamber of Commerce, argued "against commercial pessimism and counsels of despair by reference to the ascertained effects of menaces to British industry which were understood to be uttered by the M'Kinley Tariff."¹³

¹⁰The Economist, MTS, September, 1892, 3.

¹¹The Times, December 27, 1892, 4-5.

¹²The Economist, MTS, January, 1893, 1-2.

¹³The Times, leading article, January 25, 1893, 9.

The Times unequivocally rejected "the gloomy prophecies often heard as to the incurable decay of British trade."¹⁴ Even some British industrialists who pointed particularly to the McKinley Tariff as an important factor in the unsatisfactory condition of the woolen, the iron and steel, and the engineering industries expressed their belief that the low-water mark had been reached. They anticipated improvement, though it was expected to be very gradual.¹⁵

Such confident expressions were more than pious hopes. They were based on reports of increased sales in the United States. Bradford, whose trade had been seriously affected by the increased duties on woolens, was experiencing "a considerable increase in our trade to the United States, notwithstanding the existence of the M'Kinley Tariff."¹⁶ Gains were also being reported in several categories of iron and steel exports, especially tin-plates, and in cotton goods. The United States continued to be the best customer for British jute and linen manufactures.¹⁷ In the first half of 1893 Britain recovered nearly all the American trade which she had lost in the comparable period of 1892:

<u>British Exports to the United States, January-June (×)</u>		
<u>1893</u>	<u>1892</u>	<u>1891</u>
15,043,799	12,642,140	15,246,477

¹⁴Ibid.

¹⁵"The Present Depression of Trade," Fortnightly, LIII n.s. (March, 1893), 297, 303, 306-07.

¹⁶The Times, January 11, 1893, 13.

¹⁷The Economist, MTS, April, 1893, 2.

The Economist called it "a satisfactory improvement" and noted that the increases were distributed among textiles and manufactures of iron and steel.¹⁸

Already, however, when these statistics were published, British hopes for the American revival had been struck a serious blow. The United States was in the throes of a serious depression. The United States correspondents of both The Times and The Economist were filing grim reports from major American cities of the drastic curtailment of production, of the reduction of wages, and of rapidly rising unemployment.¹⁹ Such a depression was bound to have a drastic effect on British trade, as the British were well aware. The realization that the British and American economies were interdependent was as vivid for the British in 1893 as it had been in 1890. The Times acknowledged that "British trade is always dependent upon external requirements; and its principal customers for a couple of years past, whether willingly or unwillingly, have fallen off. The M'Kinley Tariff barred the profitable export of the cheaper classes of goods to the United States."²⁰ According to The Economist in late 1893,

¹⁸The Economist, MTS, August, 1893, 4.

¹⁹Such reports appeared almost daily in The Times in August and September and in nearly every issue of The Economist throughout the second half of the year; see, for example, the detailed reports in the latter of July 29, 1893, 913-15; MTS, October, 7-8; and November 11, 1346-47.

²⁰The Times, leading article, January 4, 1893, 7.

The character of our foreign trade as a whole has been largely determined by our interchange of commodities with the United States, and this in turn has been influenced to a considerable extent by the effects of the commercial crisis which occurred in the States during the past summer. . . . exports to the United States, in consequence of the diminished purchasing power of the people and the stagnation in trade, have rapidly declined.²¹

Any hope for improvement in 1893 was totally shattered by the American depression. British exports to the United States declined for the third successive year in 1893, dropping to 24 millions. Britain's total exports sagged as well, for numerous British strikes in 1893 had reduced output and the lengthy Australian depression had produced a banking crisis which seriously checked British trade with that important colony. But the most important obstacle to British trade in 1893, according to The Economist, had been the American financial crisis which caused a six-month stoppage of business and brought immense harm to British exporters. The American panic, it explained, "paralysed for months the business of one of our most important customers, and even when it did subside, uncertainty, first as to the repeal of the Sherman [Silver Purchase] Act, and later on as to tariff legislation, effectually barred the way to improvement."²² This diminished business with America accounted for more than one-third of the total decline of British exports in 1893. "Jute, linen, and woollen piece goods have all declined, the falling off in each case

²¹The Economist, MTS, November, 1893, 3-4.

²²Com. History 1893, 1-2; see also The Times, January 4, 1894, 13.

being mainly attributable to the lessened demand for the United States. The shrinkage of metal exports is also largely due to smaller shipments for America, more especially of tin-plates."²³ If 1893 had been a disaster--The Times called it "the most trying year of the decade"²⁴--little in the way of immediate recovery could be anticipated for 1894, for "business in and with the United States must continue for some time to be checked by uncertainty as to the form which the projected tariff legislation is likely to assume."²⁵

The new year, as anticipated, brought no relief from the dismal conditions of late 1893. While the United States correspondent of The Economist was describing the business decline as the worst in America's history,²⁶ The Times lamented that "the crisis in the United States, where a surplus that seemed unassailable has been converted into a deficit, not only checked our trade with America, but further complicated matters by depreciating securities held largely in this country."²⁷ The Times' most fervent wish was for a rapid American recovery:

The prospects of a revival of trade in this country are so intimately bound up with an improvement in the industrial and commercial position of the United States that there is a natural disposition to make the most of every favourable sign. . . .we shall have to go shares with the Americans in the resulting inconveniences

²³The Economist, MTS, February, 1894, 1-4; see also MTS, January, 1894, 1-3.

²⁴The Times, leading article, January 4, 1894, 13.

²⁵Com. History 1893, 4.

²⁶The Economist, MTS, January, 1894, 8; for further details see the correspondent's report of February 13, 1894, 144.

²⁷The Times, leading article, January 4, 1894, 9.

of the present depression. A lack of vitality in the "American economy means a dull market here, and our own trade revival is not likely to be very pronounced until they are beginning to weather the storm."²⁸

Ever since the passage of the McKinley Tariff, the British had taken a keen interest in the prospects of American tariff revision. The Democratic victory in the Congressional elections of 1890, a repudiation it seemed of the month-old tariff, had stirred a flutter of hope in British hearts. But it was the Democratic adoption of an anti-"McKinleyism" platform in 1892 which earned the issue a prominent place in the British press. There were those in England who had no doubt that the evils inflicted by protection on the American workers, in the form of very high prices which served to enrich the vested interests, were so great that they would assure a decisive anti-"McKinleyism" victory in the election.²⁹ When the Democratic victory came, it seemed to most British observers to guarantee a downward revision of the tariff which must ultimately benefit Great Britain.

In an editorial comment on the election The Times said: "We cannot doubt that the most monstrous absurdities of M'Kinleyism will be swept away or cut down to something like endurable dimensions, to the great benefit, we believe, of trade in the United States and all over the world." The change

²⁸The Times, leading article, February 23, 1894, 7.

²⁹Donald, "McKinleyism and the Presidential Election," 489-504, especially 503-04.

may be slow and gradual "but it is difficult to see how, after the national verdict on the present tariff, it can be long postponed or restricted within narrow bounds."³⁰ When, in December, a national meeting of the Conservative Party passed Colonel Howard Vincent's protectionist resolution by a large majority, The Times disputed the assumption behind the resolution: "A few years ago the protectionist movement appeared to be gaining ground all over the world, and the advocates of a change in our own fiscal system still point to the M'Kinley Tariff as a proof that we must do something to check the influx of foreign imports. But the M'Kinley policy has broken down in the United States and has been rejected by the people."³¹

The Economist drew essentially the same conclusions from the Democratic success: that "a tariff reform in the United States will ultimately prove advantageous to international trade"; and that the election had confounded British protectionists who argued that the world was moving closer and closer to a high tariff policy. The Economist concluded "that ultimately the removal of restrictions upon trade must lead to its expansion, and one immediate advantage we will gain is, that there will no longer be an inducement for European capital to flow to the States in order to establish new industries which might gain a footing in the American markets if the people were taxed for their support. . . ."³²

³⁰The Times, leading article, November 17, 1892, 9.

³¹The Times, leading article, December 14, 1892, 9.

³²The Economist, November 12, 1892, 1415.

J. Stephen Jeans, a close student of both the British and the American economies, expressed agreement with the major point made by The Times and The Economist. According to him, "the decision that Grover Cleveland shall be once more the President of the United States, and that the Democratic party shall once again control the destinies of that nation, may be accepted as an earnest of the determination of the American people to fling aside the crutches of protection, and rely on their own unaided strength for the time to come."³³

With British trade in the doldrums, it was to be expected that interested parties in Great Britain should adopt the most sanguine views as to the beneficent effects of American tariff revision. As Jeans said:

It is natural that this decision on the part of so important a contributor to the manifold requirements of the United Kingdom should inspire feelings of hopefulness, almost akin to jubilation. A very large section of the manufacturing and commercial population of these islands appear to have been imbued with the conviction that if the United States were only to return the Democrats once more to power, the Tariff would be got rid of, and British products of manufacture would pour in upon the market of that country like a flood³⁴

Such parties were, however, strongly warned that they should not expect too much.

Jeans and The Economist both argued strongly that the McKinley Tariff had not harmed British trade as much as had

³³J. Stephen Jeans, "The American Tariff--Its Past and Future," Fortnightly, LIII n.s. (December, 1892), 746.

³⁴Ibid.

been anticipated. Jeans claimed that experience proved "the futility of a tariff in regard to keeping out of a country commodities that the country needs or desires." A significant portion of American foreign purchases was comprised of highly dutiable goods from Great Britain; "the tariff has been ineffectual to prevent the Americans from purchasing even protected goods in English markets."³⁵ The Economist conceded that the McKinley Tariff had led "at first to a great curtailment of imports into the States." But it had quickly been discovered "that even under the protection of the tariff there were many classes of commodities in which the American manufacturer could not compete with his foreign rivals" and many American producers expected such a high rate of profit that the great price increases which followed enactment of the tariff left many openings for foreign goods. The point of such arguments was this: that "just as the American imports have not been curtailed to the extent that was expected from the enhancement of the tariff, so they are not likely to expand so much as some seem to expect from the reduction of the duties."³⁶

But minimizing the harmful effects of the McKinley Tariff was not the only reason, nor the most important, for warning the British against excessive optimism as to the implications of Grover Cleveland's election. Jeans pointed out that the

³⁵Ibid., 756.

³⁶The Economist, November 12, 1892, 1415.

American North was protectionist, cohesive, influential, and able to bring strong pressure on Cleveland, most of whose support had come from the South and some of the Central states. The Cleveland administration lacked the ability, even if it had the will, to revise the tariff in a radical manner. This fact, wrote Jeans, may very well "disappoint the not unreasonable hopes of the people of this country, that the greatest market in the world, and probably in the world's history, is once again to be found lying at the feet of British industry and commerce."³⁷ The Economist reminded the English people that the Democrats had only a slim majority in the Senate; thus the tariff adjustment was likely to be piecemeal and lengthy and would seriously disturb trade until the matter had finally been settled. And it reminded its readers that "the more the States free themselves from the trammels of Protection, the better able will they be to compete with us in foreign markets, and part of what we gain in one direction we may lose in others."³⁸

In March, 1893, when Cleveland was inaugurated, The Times granted that he was no Free Trader in the British sense, but it warmly applauded his Inaugural Address as "a declaration of war against M'Kinleyism."³⁹ However, as the United States correspondent of The Economist pointed out, "the country has

³⁷Jeans, "The American Tariff," 746-47.

³⁸The Economist, November 12, 1892, 1415.

³⁹The Times, leading article, March 6, 1893, 9.

practically adjusted itself to doing business on the basis of the McKinley Tariff, and it might be a dangerous (political) experiment for any party to insist within two years of the passage of the McKinley Bill that merchants, manufacturers, and importers should again revise their bases for doing business." The most he expected was that there would be some slight reduction on certain manufactured articles and the inclusion of additional raw materials on the free list."⁴⁰

When the depression of 1893 afflicted the United States, the danger of talking about tariff revision received further attention. Chauncey M. Depew, American railroad magnate, assured British readers that it was unwise and hopeless ever to expect the United States to adopt Free Trade or even to revise significantly the McKinley rates. He pointed out emphatically that the election of Grover Cleveland in 1892 on a platform of American-style Free Trade had been followed by the disastrous panic of 1893.⁴¹

Despite strong opposition, despite fears and hesitation, and despite the depression (or perhaps further motivated by it), the Democrats were determined to make good their campaign pledge to revise the tariff and abolish the evils of "McKinleyism." British newspapers were full of information and editorial opinion on the revision campaign from the time it began in Congress in the fall of 1893 until the Wilson Tariff

⁴⁰The Economist, MTS, April, 1893, 6-7.

⁴¹Chauncey M. Depew, "Prospects of Free Trade in the United States," Nineteenth Century, XXXV (February, 1894), 343-52.

was passed and became effective in August, 1894. Nothing better demonstrates British confusion regarding their relationship to American tariff policy better than the frustrated, ambivalent, and sometimes contradictory comments which appeared in The Times and The Economist during this hectic--and for British trade disastrous--ten-month period.

When The Times first editorialized on the new American tariff bill, it reiterated the dependence of Britain and of the whole world on the United States for the revival of prosperity and stated that "we may rejoice on general grounds that the Democratic party appears bent upon making a serious and vigorous effort to bring existing uncertainties to an end."⁴² How very little reason there was for rejoicing, however, quickly became evident. What The Economist called "a scandalously protracted party conflict"⁴³ over tariff revision occurred, preventing any possible recovery from the serious depression which had begun in 1893. And not only did the lengthy tariff controversy keep American imports to a minimum but these British newspapers began to have second thoughts about whether tariff revision would really be in Britain's best interest. The Economist repeated its by now customary warning that, since the McKinley Tariff had been only partially responsible for the decline of British exports to the United States, too much improvement should not be expected

⁴²The Times, leading article, November 27, 1893, 9.

⁴³The Economist, August 18, 1894, 1013.

to result from the revision of that tariff. Though reduced tariff schedules would no doubt benefit certain British industries, they would not "enable them to make good all the ground that has been lost since 1890." Moreover, "the removal of the duties on their raw materials would render the American manufacturers, whose competition we already feel in certain markets, much more serious rivals than they are now."⁴⁴ The Times also began to see the proposed revisions as more advantageous to the Americans than to the British. It would give the American worker cheaper clothes and housing. Above all, "it will give American manufacturers the advantage of raw materials at a price that will place them on something like a level with their foreign competitors. Whether or not these changes would, in the long run, be for the benefit of British industry and trade is doubtful."⁴⁵

By the end of 1893 it was beginning to sound as if the British wished that "McKinleyism" had remained unquestioned and undisturbed. The setback to British exports in 1893, of which the tariff controversy in America was a prominent factor, might well have evoked in Britain nostalgia for the more prosperous days which immediately followed the enactment of the McKinley Tariff. The prospects for 1894 were even worse than the results of 1893. Before 1893 was over, the American correspondent of The Economist was calling attention to the fact

⁴⁴The Economist, December 2, 1893, 1429-30.

⁴⁵The Times, leading article, December 5, 1893, 9.

that "the unrest and uncertainty due to threatened changes in the tariff, following the practical prostration of business by the financial panic of last summer, is producing some serious effects." American merchants, caught with large stocks of foreign goods imported at McKinley rates and moving slowly due to the depression, were petitioning Congress to postpone the effective date of any new tariff until they could reduce their inventory.⁴⁶ What this meant for British exporters was evident by mid-1894. British exports for the first half of 1894 were considerably lower than for the comparable period of 1893; iron and steel and jute, linen, and woolen manufactures made particularly bad showings. The export figures showed, said The Economist, "how seriously our trade has suffered during the past half-year, owing to the financial and other troubles of our transatlantic kin. And there is consequently good reason to hope that a recovery in the States will be promptly followed by an expansion of trade here."⁴⁷

Such a recovery, however, was dependent on settlement of the tariff question. And, amid the ever-worsening business conditions of the first eight months of 1894, while American importers remained reluctant to place new orders and while the British increasingly doubted whether a downward revision of the tariff would be of any value to them, the American solons debated endlessly. The American correspondent of

⁴⁶The Economist, December 23, 1893, 1537-38; December 30, 1893, 1565.

⁴⁷The Economist, MTS, July, 1894, 2-3.

The Economist filed report after report telling of the struggle between supporters of the House bill (average ad valorem duties of 35.51%, as compared with the 49.58% of the McKinley Tariff) and supporters of the Senate bill (38.68%); of the numerous and troublesome riders and amendments that were proposed; and of the strong reaction of the business community against Congress for its inability to resolve the matter and allow normal trade conditions to return.⁴⁸ The Times' disgust with the tariff revision debacle was nearly boundless. It even ceased to consider the implications of the tariff for Britain during the first half of 1894 and devoted its leading articles to exposing the scandalous incapacity of the American politicians to liberalize their tariff and set their house in order. It acidly commented that the Americans had showed the world the quickest way to turn a government surplus into a deficit. It noted that the United States was experiencing "one of the deepest trade depressions which the world has ever known," but it offered no sympathy; "they have no one but themselves to thank for it," for they proved incapable of agreement on the tariff. From the point of view of The Times, the haggling was not even over anything substantial; it called one of the latter versions of the bill nothing more than "the Democratic variation of the M'Kinley tariff."⁴⁹

⁴⁸ See The Economist, August 11, 1894, 988; and the weekly reports of the correspondent; particularly informative are those of February 17, 1894, 211; March 3, 1894, 274; March 17, 1894, 355; May 19, 1894, 613; and May 26, 1894, 642.

⁴⁹ See The Times, leading articles, January 10, 1894, 9-10; February 5, 9; April 19, 9; July 5, 9; July 23, 9; and August 13, 7.

After nearly a year of debate, the Senate version of the tariff prevailed and went into effect in late August. Though the general level of duties was reduced, the Wilson Tariff out-McKinleyed McKinley by raising the duty on certain articles, as The Economist was quick to point out. Particularly important from the British point of view were the higher duties imposed on certain iron and steel manufactures.⁵⁰ Despite this feature and despite their quibbling about the illiberality of the bill as it worked its way through Congress, The Economist conceded that the reductions made by the Wilson Tariff were "still very considerable" and The Times noted that the new tariff "generally reduces the amount charged, sometimes to one-half of what it was." Yet The Economist was not prone to exaggerate the prospects for any quick recovery of British exports. "The lower duties will unquestionably work to our advantage," it said, "but that they will lead to any very large expansion of our exports to the States is very doubtful."⁵¹ There was substantial agreement that the best that could be hoped for was that the termination of American tariff uncertainty would gradually restore some semblance of normal trading conditions, providing British exporters an opportunity to recover at least some of the lost ground. How

⁵⁰The Economist, September 1, 1894, 1077-78. The complete text of the Wilson Tariff appeared, side by side with the McKinley rates for comparison, in the MTS, September, 1894, 1-16.

⁵¹The Economist, August 18, 1894, 1013-14; The Times, leading article, August 18, 1894, 9.

much had been lost could be seen in the stark fact that British exports to the United States had shrunk more in the first six months of 1894 than in the entire period 1889-1893 and The Economist recognized that "a considerable margin has still to be filled up before our export trade to the United States reaches the level even of 1892," which year itself had been a very disappointing one.⁵²

After the bad year which 1893 proved to be, The Economist had looked forward to 1894 with only the most limited expectations. But, as it said in reviewing 1894, even such a very cautious forecast had proved considerably wide of the mark since

we did not reckon sufficiently with the perversity of the United States Legislature. For nearly eight months, the two Houses deliberately dallied with the tariff question, and, deaf to all the appeals made to them, persisted in prolonging a state of suspense under which the trade of the country shrunk and shrivelled in all directions.

With "equal disregard of the public interest," Congress refused to do anything to stop the gold drain from the Treasury, giving rise to serious misgivings about its ability to maintain gold payments.

To the tariff unsettlement, therefore, was added a monetary distrust, which not only arrested the investment of foreign money in the States, but caused withdrawal of foreign capital that had been previously placed there. This, of course, tended still further to cripple trade, and how seriously we were affected by the business prostration of so important a customer is shown by the fact that the value of our exports to

⁵²The Economist, August 18, 1894, 1013-14; The Times, leading article, September 14, 1894, 7; The Economist, MTS, October, 1894, 1.

the States in the first nine months of 1894 fell short of the total for the corresponding period of 1893 by fully £7,000,000, or more than 33 per cent.

British exporters had actually increased their sales in other markets in 1894, but so great was their loss in America that Britain's total exports for 1894 declined by two millions sterling in 1894, to £216,000,000, the lowest figure since 1885. British exports to the United States in 1894 were nearly 22% below those for 1893 and 37% below those for 1890. They amounted to a mere £18,800,000; no figure since 1865 had been lower. As The Economist somberly put it at the end of 1894, there was some reason to expect that in 1895 things could only get better.

For once at least, The Economist was not disappointed. The United States experienced a strong economic recovery in early 1895 and, for the British, it could not have come at a better time. Britain was suffering from numerous domestic obstacles to economic recovery and her exports to most of the world were suffering accordingly. The horrible year 1894 might well have been followed by an equally bad 1895 had it not been for the enormous increase of American demand. Britain's total exports increased from £216,000,000 in 1894 to £226,000,000 in 1895. The United States was responsible for nearly the entire increment, her imports from Great Britain increasing from £18,800,000 to £28,000,000. America, a major factor in the British distress of 1894, proved equally

prominent in the expansion of British foreign trade in 1895.⁵³

The Economist, however, was once again cautious as it surveyed trade prospects for 1896. It recognized that a substantial portion of the increased American imports simply represented purchases deferred during 1894 while the Wilson Tariff was being debated.⁵⁴ Moreover, there was renewed concern that the United States was contemplating tariff changes again. Passage of the Wilson Tariff had convinced many in Britain that the United States was giving up "McKinleyism." While that tariff was still being debated, The Economist claimed that the United States had tried protection and found it wanting and that the world was moving in the direction of Free Trade. Throughout the first half of 1895 it remained confident that the United States was abandoning its fiscal foolishness. When Lord Salisbury complained that protection was in fact increasing throughout the world, diminishing British commerce and industry in the process, The Economist responded that the tendency was in fact away from ultra-protectionism, that nations were learning that high tariffs were harmful:

In the United States McKinleyism had a career as short as it was eventful, and the results were of such a character as to suggest that the experiment is not likely to be repeated.

The Economist clung to this mirage throughout the summer of

⁵³See Com. History 1895, 1-2.

⁵⁴Ibid., 2.

1896. It professed to see that "in the United States there are signs of the disappearance of the delusion that Free-trade means a decrease in the productive industries." It applauded Lord Farrer for a Cobden Club speech in which he said of the Americans:

With that period of prosperity it would be found that the modifications which were made in the McKinley Tariff had not ruined them, and there would probably be an inclination to proceed in the direction of making further alterations.⁵⁵

The Times knew better. As early as 1894 it had pointed out that the Americans refused to put any faith in Free Trade, that any tendencies toward it were checked and reversed every time there was the "slightest decline in general prosperity." In 1895 it carried a graver warning:

The repeal of the M'Kinley tariff and the passing of the freer Wilson tariff are probably to be followed . . . by new changes in the direction of more protection. This means that such part of our manufacturers' fixed capital as has been employed for producing articles for export to the United States will become valueless in whole or in part, and that the workmen who have been engaged in the business will be thrown out of employment. It is useless to argue that these trade dislocations inflict most injury on the country which causes them. All that we need care to know is that they inflict very grave injury on ourselves and that it would be worth our while to get rid of them at some loss to the mere volume of our trade.⁵⁶

By the end of 1895 The Economist's American correspondent was warning the journal how dangerously incorrect it was to

⁵⁵The Economist, July 28, 1894, 917-18; May 25, 1895, 685-86; August 24, 1895, 1106.

⁵⁶The Times, leading article, November 27, 1894, 9; leading article, July 29, 1895, 11.

expect any further downward revision. The American business community was likely to punish any party which so much as raised the issue and if any revision did occur it would be in the direction of still further protection.⁵⁷ From that point on, The Economist was considerably more sensitive about the danger of a higher American tariff. It noted that, though American governmental revenue was less than expenses, Cleveland did not dare ask for new taxes for fear that he would invite a new struggle with the protectionists. When Cleveland took an inflexible position on the Anglo-Venezuelan controversy late in 1895, prompting a brief stock market and business panic, The Economist claimed that he had at one stroke done much to arouse a great clamor for upward revision of the tariff.⁵⁸

To the relief of the British, the tariff did not become an important issue in the United States in 1896. There were, nevertheless, a number of things which disturbed Britain's export trade to America. The American position on Venezuela produced not only a short-term panic but a much longer period of commercial uncertainty. Furthermore, there existed throughout 1896 the possibility of American intervention in Cuba which also had "a very unsettling effect" on Anglo-American trade. More important than any other single factor, however,

⁵⁷The Economist, November 23, 1895, 1532-33; December 21, 1895, 1655-56; December 28, 1895, 1684-86.

⁵⁸The Economist, November 30, 1895, 1555; December 21, 1895, 1647-48; December 28, 1895, 1681-82.

was the money issue in the United States around which the McKinley-Bryan presidential campaign revolved. The currency question, as The Economist pointed out, was far more than an American electoral issue. Its outcome, its very existence, produced worldwide effects and unsettled trade.⁵⁹

The Economist treated Silver Democracy as irresponsible nonsense and conveyed the impression that any nation which allowed such a program to come within the realm of possible national policy was a reckless people indeed. Silver agitation in the United States had led to "an almost unprecedented depression of business," for as long as the gold standard was in doubt businessmen entered future contracts only in cases of extreme necessity. Naturally, British exports suffered and The Economist believed that American trade could never revive so long as the threat of a Democratic victory remained.

On the other hand, it also believed that the United States would never really prosper until the evils of protection and its direct offspring, trusts and pools, were eliminated. If the silver issue had disturbed American commercial circles, the depression had also been "in no small measure due to Protection" and The Economist found the anti-trust and the tariff-for-revenue-only planks of the Democratic platform praiseworthy. Caught in this dilemma, most of England including The Economist opted for McKinley and sound money on the grounds that "nothing would please the people of England better than

⁵⁹Com. History 1896, 1-2.

to see America sound and prosperous, economically and politically."⁶⁰

The Economist rejoiced at the Bryan defeat but it had to record that, though an industrial and financial crisis of the gravest character "was happily avoided by the victory of the sound money party . . . deep business depression reigned for months, and only a partial recovery" had occurred by the end of 1896. This, of course, had major repercussions for British trade. "It was inevitable that with one of our chief customers reduced to such straits our trade should suffer." British exports to the United States fell drastically, from £28,000,000 in 1895 to a mere £20,400,000 in 1896.⁶¹

The Economist, however, was optimistic regarding the prospects for 1897. While the McKinley administration was "not showing itself so alive to the immediate necessity of currency reform as it ought to be" and was "subordinating the sound money issue . . . to measures for increasing the already high protective tariff," no doubt the country's monetary arrangements would be put on a sounder basis. "And while any increase of the Customs duties is to be deprecated, trade will suffer much less from an actual raising of the tariff than from the uncertainty that now prevails."⁶²

There was no reason for the British to be surprised that

⁶⁰Ibid. and The Economist, July 11, 1896, 890-91.

⁶¹Com. History 1896, 1-2; The Economist, MTS, January, 1897, 2.

⁶²Com. History 1896, 3-4.

President-elect McKinley was giving tariff reform higher priority than currency reform. It was clear to any reader of The Times that the father of "McKinleyism" had made higher tariff rates a major campaign issue. He had insisted that "the most urgent of reforms is a return to the tariff laws known by his name. . . .He declares the underlying principle of his projected legislation to be the obtaining of new markets for American agricultural produce and manufactures without the loss of a single day's work by an American labourer."⁶³ McKinley's victory gladdened the hearts of American and British businessmen alike, but it also gave a great impetus to tariff revision. By the time of the election the House had already passed the Dingley Bill and as soon as Bryan was defeated tariff debates came to the fore again. The Dingley Bill called for substantial increases in most of the tariff schedules.⁶⁴

While McKinley himself kept rather quiet about what he would propose once in office, others in and out of Congress talked excitedly of strong new doses of protection. When Mark Hanna made allegedly "conservative remarks on tariff legislation," one of The Times' American correspondents retorted:

The most conservative remark I have seen attributed to Mr. Hanna is the following:--"M'Kinley is in favor of just so much protection as will enable us to compete with foreigners and protect our labourers, and no more." Precisely. That is the foundation of every protectionist argument from Carey onward, and of every protectionist tariff from that of 1826 down to the M'Kinley

⁶³The Times, August 28, 1896, 7.

⁶⁴The Times, November 16, 1896, 5; The Economist, November 28, 1896, 1566.

Bill of 1890. . . .If the British manufacturer expects any modification of the tariff in the direction of free trade or in deference to free trade theories, he is deceiving himself completely. Mr. Hanna's conservatism is the conservatism of protection for protection's sake.⁶⁵

As usual, such tariff speculation disturbed American trade. The great recovery anticipated after the election of McKinley failed to materialize and British exports to the United States remained in the doldrums.⁶⁶

Speculation about McKinley's tariff intentions was quelled by his unambiguous Inaugural Address in which, according to The Times, McKinley stressed protection "in its most uncompromising form." The Economist was sceptical whether McKinley's avowed objectives--a substantial increase of governmental revenue and the protection of home industries--were compatible. It also questioned whether American public opinion would permit McKinley to carry revision to the lengths he proposed in his Inaugural: "When, for instance, we have American makers of steel rails boasting that they can now undersell foreign competitors in their own markets, it should be difficult to persuade the Legislature that they stand in need of protection at home."⁶⁷ But the British newspapers did not control any votes in Congress and the American legislators, called into special session by McKinley for the specific

⁶⁵The Times, November 9, 1896, 5.

⁶⁶The Times, January 5, 1897, 3; see also the comments of the American correspondent of The Economist throughout the first half of 1897.

⁶⁷The Economist, March 6, 1897, 340-41.

purpose of revising the tariff, passed the Dingley Tariff in the summer of 1897.

There was some concern in Britain, though it was minimal by comparison with the furor which the McKinley Tariff provoked, over the effects of the tariff on British trade. The Dingley Tariff provided for average rates about 8% higher than the average rates of the McKinley Tariff. It was clearly recognized in Britain that the tariff was designed to bar foreign goods and would thus be "injurious and detrimental to British interests."⁶⁸

For The Economist, however, there were some compensatory factors in the situation. It expressed not only the long cherished British belief that "it is the people of the States that will suffer most from its enactment" but it also saw the Dingley Tariff as a remedy for the American competition which had suddenly emerged with a new intensity in foreign markets and in Britain itself in 1897.⁶⁹ "We have heard much of late," said The Economist, of the ability of the iron and other manufacturers of the States to compete with their foreign rivals on their own ground, and the increase in the exports of manufactured articles from the States has been the theme of much self-congratulation there." Under the pressure of the depression of the mid-1890s, American manufacturers had struggled

⁶⁸ The Economist, March 27, 1897, 443; September 4, 1897, 1263-64; The Times, September 1, 1897, 3; "The Month in America," National, XXIX (June, 1897), 558.

⁶⁹ See below, pp.

successfully to reduce production costs and had thus become competitive in world markets. Now the new tariff would increase the American cost of production and "cripple the export trade." Therefore, "whilst we cannot but regret that our trade with the States should be hampered by a restrictive tariff, there is some consolation in the knowledge that this will give us better opportunities of pushing trade in other directions." The final redeeming feature of the Dingley Tariff was that old perennial: though the tariff raised further obstacles to British exports, the conclusion of the tariff debate at least removed uncertainties and permitted the resumption of normal trade patterns. If the United States, which by mid-1897 was enjoying a revival of prosperity, remained affluent, such normal trade conditions should bring an improvement in British exports to the United States despite the Dingley Tariff.⁷⁰

At the end of the year The Economist reported that the United States had indeed waxed prosperous since the inauguration of McKinley. In addition to the general revival of trade, there was the special prosperity which accrued to America when bad harvests in Europe and excellent ones in the United States led to an enormous increase of American agricultural exports. American purchasing power had never been higher than it was in 1897. It proved, however, to be

⁷⁰The Economist, March 27, 1897, 443; August 7, 1897, 1144; August 14, 1897, 1176-77; Com. History 1897, 1-2.

of little benefit to the British economy. British total exports were on the decline once again and the British "did not obtain in [the American market] an appreciable compensation for the contraction in other quarters." British exports to the United States exhibited only the slightest increase, from £20,400,000 in the disappointing year 1896 to £21,000,000 in 1897.⁷¹

That the American market failed to provide a compensatory outlet for British exports The Economist blamed on the "prohibitive effect of the new Dingley tariff." Inexplicably, it consistently failed in its year-end analyses of British trade to attribute failure to regain the American market to the growth of American industrial capacity and self-sufficiency, even though it was well aware of this development.⁷² However, The Economist did note in 1897, for the first time, that American competition had provided a check to British exports to other parts of the world.⁷³ The journal was impatient with those who were morbidly sensitive to foreign competition. In 1896, when British excitement over German competition reached a peak with the publication of E. E. Williams' Made in Germany, which vividly described the German "invasion" of England, The Economist denied that German competition was really formidable. In this context, the following remarks from its 1897 summation are especially interesting:

⁷¹Com. History 1897, 1-2.

⁷²See Chapter V.

⁷³See Part III for details of American competition.

It would be idle, of course, to ignore the fact that our export trade did suffer to some extent, especially in the iron and steel trades, from the competition of the United States, where the cost of production has been very greatly reduced of late years. In the opinion of many, also, German competition is a factor to be taken into account, but that can hardly have affected us specially last year.

The Economist did not exaggerate American competition, though it was intense in 1897. It presented that competition as a feature of the disappointing year but not as a real cause. It specifically denied the claim of some Englishmen that Britain "had failed to keep pace with our commercial rivals."⁷⁴ Nevertheless, these comments marked a turning point in the British recognition of the American challenge.

As Part II attempts to show, British concern about the American challenge between 1890 and 1897 revolved around the American market itself. By 1897, however, British attention had shifted to the challenge of American competition in external markets including Britain itself, as Part III will show. After 1897 the American market absorbed a substantially smaller portion of Britain's total exports. In 1890 Britain still sent 12.2% of her total exports to the United States and this figure was exceeded in the atypical year 1895. But in 1897 only 9% of the total was sent to America and during the four year period 1898-1901 less than 7% of all British exports went there. Though the percentage increased somewhat in 1902 and 1903, the United States was by then a considerably less lucrative market for the British than it had been a decade

⁷⁴ Com. History 1897, 2.

earlier, as the following figures show:⁷⁵

	British Exports							
	1890	1897	1898	1899	1900	1901	1902	1903
Total	264	234	233	264	291	280	283	291
To U.S.	32.1	21.0	14.7	18.1	19.8	18.4	23.8	22.6

As the National Review put it in 1903: "During the last few years we have seen a determined effort on the part of the United States to kill our export trade to America, and if it is not actually dead, it has been reduced to beggarly proportions."⁷⁶ The Economist did not give up its close scrutiny of the American market and of the American economy generally after 1897. But it had recognized by 1898 "that manufacturers in the United States will be able in the future more fully to meet the requirements for the various descriptions of goods that were formerly imported from this country."⁷⁷

⁷⁵These percentages are approximate, since they are calculated from rounded trade figures.

⁷⁶"Episodes of the Month," National, XLI (June, 1903), 526.

⁷⁷The Economist, November 12, 1898, 1624.

CHAPTER V

THE GROWTH OF AMERICAN INDUSTRY, 1890-1897

American Industrial Growth

As The Economist suggested at the end of 1897, there was more to the American economic challenge than a fiscal policy which checked the importation of British goods and accentuated, if it did not entirely cause, violent fluctuations in the course of American trade. There was also the unavoidable fact that American industry was growing with amazing rapidity, that it was reducing its production costs, and that with ever-increasing frequency it was offering its products, in competition with British goods, in markets around the world. This obviously indicated that American manufacturers could also increasingly supply the American demand for goods which Britain had previously exported. This chapter will examine the industrial aspects of the American challenge between 1890 and 1897 as the previous chapter dealt with what were, for the most part, the fiscal aspects. It bears repeating that the various aspects of the American challenge overlapped and intersected at numerous points. The material in this and in the preceding chapter, divided for convenience of analysis and presentation, should be considered as a unit.

The economic growth of the United States following the Civil War never ceased to amaze the British. It seemed no less marvelous to them between 1890 and 1897 than it had during the years from 1873 to 1889. In 1893 an American, inspired by the national celebration being held at Chicago, wrote a compendium of American accomplishments for the edification of British readers. After but a single century of national existence, he argued, the United States had taken its place among the great nations of the world. It had become

not only superior in population, wealth, influence and intelligence to many, but the peer of any existing nations. . . . This surprising development is not by any means confined to commerce, trade, and the industrial arts, but it is as striking and gratifying in the advancement made in scientific research, in inventions, in the fine arts, in educational and religious facilities, and in all those conditions which are manifest in advanced civilization.

He supported his assertions with an array of statistics on American manufacturing, commerce, banking, agriculture, and national income designed to overwhelm the reader by their magnitude and rapid increase.¹

Few Englishmen would have challenged such claims of material accomplishment. Mulhall's statistical compilations led him to the conclusion that by the end of the 1880s the United States had become "by far the wealthiest nation in the world."² During the debates over "McKinleyism," statement

¹D. Brock, "Advance of the United States during One Hundred Years," Fortnightly, LIV n.s. (July, 1893), 116-41; the quoted statement appears on the first page.

²See Mulhall's table, "The Wealth of Nations," which gives the figures for 1888, in Williamson, British Industries and Foreign Competition, 238.

after statement appeared in the British press repeating and confirming that conclusion. One British writer noted of America that "in the course of the last twenty years her prosperity has become positively embarrassing."³ Another praised the "National system" of internal Free Trade and external protection for fostering the growth of a prosperity such as had never before been seen, to which nothing testified better than the immense numbers of Europeans who were being attracted to the United States.⁴ When The Times criticized "McKinleyism" and wondered when the Americans would come to recognize the "waste of national energy" involved in "battling against economic laws," a Fair Trader responded: "'Waste of national energy!' How very comic." Since it had adopted protection during the Civil War the United States had demonstrated a rate of growth and accumulation of wealth which were unparalleled.⁵ Even a Free Trader could maintain that "it requires unusual temerity to allege that the tariff system of the United States has been a failure--for that country."⁶ British readers were reminded once more, as they had been so often during the previous decade, that their national debt still stood at £700,000,000 while the debt of the United States, once nearly as large, had been paid off;

³Cumming, "America and Protection," 373.

⁴Frewen, "The National Policy of the United States," 675-78.

⁵Williamson, British Industry and Foreign Competition, 237 and 239, n.

⁶Jeans, "The American Tariff," 746-47 and 749-55.

that beyond this the American government had amassed a surplus so large that politicians had established a pension fund for Civil War veterans the annual payments from which exceeded the entire cost of maintaining the British army. At a loss for words to describe such growth, the author had recourse to the eighteenth-century eloquence of Edmund Burke who himself had found the increase of American prosperity defying the powers of description: "generalities, which in all other cases are apt to heighten and raise the subject, have here a tendency to sink it. . . .Fiction lags after truth, invention is unfruitful, and imagination cold and barren."⁷

Westward expansion and the consequent development of agriculture no doubt played a major role in this rapid increase of American wealth. But the development of industry and of related natural resources was becoming increasingly apparent to British observers. As Jeans wrote shortly after the passage of the McKinley Act: "Ten years ago, indeed, the United States were very backward, as compared with most European countries, from a manufacturing point of view. In the interval there appears to have been a process of revolution going on."⁸ The Canadian admirer of the United States, Erastus Wiman, attempted to provide British readers with more graphic illustrations of the magnitude of American economic activity. The tonnage on the Detroit River, he wrote, had reached in

⁷Ibid., 747.

⁸Ibid., 751.

1890 an amount equal to the combined tonnage of London and Liverpool. More tonnage passed through the Sault Ste. Marie Canal connecting Lakes Michigan and Superior in seven months than passed through the Suez Canal in an entire year. The value of the American cotton crop in 1890, the product of but a single section of the United States, exceeded in value all the gold mined in the world during the preceding five years.⁹ The magnitude of American industrial growth in the 1880s was seen in the census figures which became available in the early 1890s:¹⁰

The Growth of Manufacturing in the United States

	1880	1890
Factories	253,852	355,401
Invested Capital	\$3,000,000,000(approximate)	\$6,524,475,305
Employees	2,700,732	4,476,094
Value of Product	\$5,000,000,000(approximate)	\$9,054,435,337

By 1890 the value of American manufactures exceeded those of Great Britain by \$1500 million, those of France by \$2000 million, and those of Germany by \$2500 million.¹¹ That the growth of certain American industries had been even further stimulated by protective duties even that arch-critic of "McKinleyism," The Times, had to concede. "Though the M'Kinley Tariff has not been long in force," it commented during

⁹Erastus Wiman, "Canada and the States--A Barbed Wire Fence," Contemporary, LIX (April, 1891), 620-21.

¹⁰The Times, April 17, 1894, 10.

¹¹Wiman, "Canada and the United States," 620-21.

the Congressional debate on the Wilson Bill, "it has already served to give a start to the productions which it was designed to foster."¹²

During the debate over "McKinleyism," the British press was full of interesting information on American industrial growth. One of the more frequently noted factors was that American industrial growth was taking place now on a continental scale. The importance of the Midwest as a manufacturing center was clearly recognized at the time of the Chicago Exhibition. The growth of Southern industry was also a frequent theme in the British press during the 1890s.¹³ The Duke of Marlborough predicted that, if the basic-hearth process of steel-making proved a success, "before very long we are going to see the whole of this Tennessee valley a veritable Black Country [the heart of the English manufacturing area] in America." Occasional shipments of Birmingham (Alabama) iron and steel to England served as constant reminders of what was happening in the American South, while the Cotton States and International Exhibition of 1895 served as a more dramatic demonstration of the industrialization of the region.¹⁴

This continental manufacturing network was bound together by a transportation system which long before 1890 had won

¹²The Times, leading article, February 5, 1894, 9.

¹³See, for example, The Times, leading article, June 16, 1891, 9; cf. the remarks of Robert McCormick above.

¹⁴Duke of Marlborough, "Virginia Mines and American Rails," 794-95; cf. Kitson, "The Iron and Steel Industries of America."

British admiration and which had been continually expanded and improved since Atkinson had called British attention to its importance in the early days of the Great Depression. As Mulhall's statistics showed, the United States was interlaced with 51,820 miles of navigable inland waterways (compared with 3,810 in the United Kingdom) on which operated a fleet of vessels equal to one-third of the carrying-power of the entire British merchant fleet. Equally important, the United States had an incomparable railway system comprising 171,800 miles of track (compared with 20,320 in the United Kingdom). In 1892 every hundred miles of American track represented 845,000,000 tons of merchandise traffic, while every hundred miles of British track represented only 94,000,000 tons. In fact, two-thirds of all the railway merchandise traffic of the world was carried by American railways. Finally, and this was a very sensitive point in England where manufacturers complained bitterly about rail rates, the American railway system carried goods much more cheaply than they were carried anywhere else in the world. The world average railway freight charge (calculated in pence per 100 miles) was 97. In the United States the figure was 40; in Great Britain it was 140.¹⁵

If the United States benefitted from cheap internal transportation, critics of "McKinleyism" insisted that the United States suffered from artificially increased costs of the other factors of industrial production. Nothing was more frequent

¹⁵Michael G. Mulhall, "The Carrying-Trade of the World," Contemporary, LXVI (December, 1894), 818-20.

in the British press during the early 1890s than predictions that America's high-tariff policy would so raise prices as to render the United States non-competitive in the neutral markets of the world. Such assertions, however, did not go unchallenged. American wages had been increasing for a long time and the advance between 1880 and 1890 had been greater than that which had taken place during the previous thirty years. They rose still higher in the wake of the McKinley Tariff. Despite such considerable increases, there was ample testimony that in many lines of manufacturing the United States could in fact produce at competitive prices. In 1891 Carnegie noted

that prices in Europe and the United States, for everything, draw closer and closer together. In recent times, steel rails, for instance, have sometimes been quite as cheap in New York as in London. . . . Indeed some articles have been cheaper here than abroad within the past three years.¹⁶

The following year Jeans wrote that, despite rising wages and the McKinley Tariff, "the general course of prices has been downwards for a comparatively long series of years, and neither the McKinley Tariff nor any other legislative measure or proposal has been able to arrest this movement." The explanation was that, since they had no choice but to pay high wages,

the American manufacturers work with might and main to make that labour as efficient as it can possibly be made. This has been secured in a remarkable degree by the introduction of labour-saving appliances

¹⁶Carnegie, "The McKinley Bill," 1029.

of every kind. As a consequence, the increase of wages . . . has been accompanied by a considerable increase in the annual value of the product obtained per employee.¹⁷

American efficiency and inventiveness had been bywords in England for a long time. This was no less the case in the 1890s. During the debate over "McKinleyism," it was frequently pointed out that American manufacturers had reduced working hours while maintaining or even increasing productivity.¹⁸ The American worker, it was claimed, could produce all that the country required in the course of a six-hour working day while enjoying a higher standard of living through better wages and more constant employment, given the modern machinery and the available capital of the United States.¹⁹ The operation of the McKinley Tariff and the onset of severe depression in 1893 did nothing to dispel such notions. The Americans had proved beyond doubt, many Englishmen believed, that high wages and short hours could stimulate increased production. English nail-makers earned twelve shillings a week. Their American counterparts earned twenty shillings a day "and yet American nails are but half the price of English. Here again we find the explanation in the fact that the American turns out two and a half tons whilst his English rival is making two

¹⁷Jeans, "The American Tariff," 752-54.

¹⁸See, for example, John Rae, "The Balance Sheet of Short Hours," Contemporary, LX (October, 1891), 499-520.

¹⁹Frewen, "The National Policy of the United States," 680; Cumming, "America and Protection," 373-74.

cwt."²⁰ Or, as Jeans put it:

The increasing and almost unhealthy energy of the American people has already placed them in a position to reconcile their economic system with cheap production in many products that have hitherto been supposed to be almost of purely British growth.²¹

In a leading article on alleged American competition in 1897, especially in the engineering trades, The Times remarked how much more receptive were American than British workers to new techniques and new machinery, a charge that had been made many times in the past. At the same time, the system of production of interchangeable parts gave the Americans a decided edge over the British, much of whose production was done on a custom-built basis.²²

All these things were, of course, of more than merely academic or technical interest for the British. What such conditions across the Atlantic signified was stated quite clearly as early as 1890. "In many departments," wrote A. N. Cumming, the Americans "are already ahead of us. The President of the [British] Iron and Steel Congress has admitted the fact of American supremacy in those industries. It is probable that in many others the same may shortly be the fact." This remark by the President of the Iron and Steel Institute was also echoed by L. J. Jennings, who claimed that the

²⁰L. R. Phelps, "The Economy of High Wages," Edinburgh, CLXXIX (January, 1894), 33-61; the quoted statement is from p. 42.

²¹J. Stephen Jeans, "The Labour War in the United States," Nineteenth Century, XXXVI (August, 1894), 267.

²²The Times, leading article, December 4, 1897, 11.

the American people's

main object is to build up the biggest trade in the world, and they will do it, and do it moreover by that very Protection which, as our philosophers tell us, saps the foundations of every industry to which it is applied. . . .the Americans have beaten us at the iron and steel trades, in which thirty years ago they did next to nothing, and eventually they will pass us in the cotton trade. They are now turning their attention to shipping, in which we are at present supreme.²³

Though such ancillary industries as coal and shipping received some attention in the British press,²⁴ the greatest coverage was devoted to those manufacturing industries which were absolutely essential to British prosperity: textiles and iron and steel. And it was precisely in these areas, as Jeans pointed out in 1892, that the growth of American manufacturing capacity was most pronounced. Invested capital in the American textile industry had risen from \$386.5 million in 1880 to \$701.5 million in 1890, an increase of 81.5%. During the same interval the value of American textile manufactures had increased from \$500 million to \$693 million; the increase in quantity was greater still for the output was being sold at lower prices in 1890 than in 1880. The iron and steel industry was growing so fast that in 1892 it was capable of producing nearly double the amount of pig iron and of steel rails produced in 1891.²⁵ Little wonder, then, that

²³Cumming, "America and Protection," 374; Jennings, "The Trade League against England," 910.

²⁴For these, see below, 203-04, 250-59, 316-17.

²⁵Jeans, "The American Tariff," 750-51.

British exporters sometimes found it difficult to find buyers in the United States or even in neutral and home markets for a number of the traditional British export goods.

Textiles

Passage of the McKinley Tariff and publication of United States census data in the early 1890s elicited numerous British statements on the growth of this industry in America. The topic received much less attention later in the 1890s, but enough appeared in the early part of the decade to make it clear that Britain could not realistically expect to expand or even to maintain her total textile exports to the United States. Among the different branches of the textile industry, however, there were considerable differences.

Two branches of the trade fared relatively well in the 1890s. The manufacture of cotton textiles was Britain's major industry in terms of both the value of domestic manufacturing and the value of exports. As was noted in Part I, however, the United States had for some time been supplying much of its own requirements, particularly in the medium and coarser grades. Nevertheless, what American trade was left to the British, that in the expensive, high quality articles--though it represented only about one per cent of the total volume of British cotton exports--remained lucrative throughout the 1890s and occasionally experienced substantial increases.²⁶

²⁶For details see Com. History, annually.

It was to the producers of lower quality grades of cotton goods that American growth presented a problem. In 1871 Britain had consumed 2,410,000 bales (of 500 lbs. each) of cotton and the United States only 893,000 bales. By 1891 Britain consumed 4,230,000 bales (of 400 lbs. each) and the United States 3,071,000. In 1897 British consumption was 3,224,000 bales (of 500 lbs. each) and American consumption was 2,738,000 bales.²⁷ Thus, between 1871 and 1897 British consumption increased by about 33%, while American consumption increased by about 200%.

In certain branches of the trade the United States had become increasingly self-sufficient. In 1891 the United States imported less than one million lbs. of British thread, less than half the quantity imported in 1871, and The Economist concluded that the decline was "no doubt the result of the continued growth of the manufacture in that country." As for cotton piece goods:

Every year finds the Americans doing more and more for themselves, whether or not they find it to their profit; and evidently the only hope for British goods is from superiority of design, material and finish. Even in these we are not altogether safe, as our rivals think nothing of appropriating wholesale the styles our people have been at such pains to develop.²⁸

However, since the export of quality goods was well maintained, and since the British had by 1890 grown accustomed to American

²⁷Com. History 1893, 27-28; The Economist, October 26, 1895, 1402; October 23, 1897, 1502.

²⁸The Economist, June 13, 1891, 760-61; MTS, June, 1892, 8; Com. History 1891, 27. Cf. the complaints made to Wood and McCormick by those approached to exhibit at Chicago.

self-sufficiency in lower quality goods, the American challenge to the British cotton goods industry was experienced not so much in the American as in the neutral markets of the world and will be considered in the subsequent chapters which deal with such competition.

The British linen industry was much more alarmed when the McKinley Tariff took effect than was the cotton goods industry. Linen manufacturing was concentrated in Ulster. More than £15,000,000 of capital was invested in the Ulster industry, "hundreds of thousands of her inhabitants are entirely dependent on the employment thus provided," and the United States had for a very long time been Ulster's "largest and most important foreign customer." The McKinley Tariff imposed very high rates on imported linens, with the anticipation that an American industry would thus be created and the rates could be reduced January 1, 1894.²⁹ However, by 1893 a correspondent of The Times could claim that "the great American linen industry that was to spring up under the M'Kinley law has proved a myth."³⁰ Though Congress extended the linen duty and Americans built new factories and brought over trained workers from Ireland, an apparently well-informed correspondent wrote to The Economist in 1893 that "the Irish linen trade with the United States is in a healthier and better condition than it was previous to the introduction of the

²⁹"Ultonia," letter to The Economist, April 22, 1893, 480.

³⁰The Times, January 2, 1893, 11.

tariff."³¹

If British cotton and linen producers were satisfied with the state of the American market in the 1890s, complaints came with great frequency from woolen and silk manufacturers. The rapidly changing relationship between the British and American woolen industries can be seen in the following figures:³²

Consumption of Wool (thousands of lbs.)

	1866	1876	1884
United Kingdom	313,000	369,000	381,000
United States	229,707	235,020	376,036

Proportionately farther behind Britain in 1876 than in 1866, by 1884 the United States had nearly reached parity with Britain. The American industry continued to grow rapidly during the 1880s:³³

Growth of the Woolen Industry in the United States

	1880	1890
Invested capital	\$159,091,869	\$296,983,164
Employees	161,557	221,087
Value of product	\$267,252,293	\$338,231,109

The value of the product of the American woolen industry grew during the decade by 26.56%, but this was an average which masked considerable variations among the branches of the

³¹"Ultonia," letter to The Economist, April 22, 1893, 480.

³²Edwin Burgis, Perils to British Trade: How to Avert Them (London: Swan, Sonnenschein & Co., 1895), 184; no figures beyond 1884 are provided.

³³The Times, June 11, 1892, 8.

industry. Some of the British complaints about declining sales in the United States are explained by noting that the American production of carpets increased by more than 50% during the decade, hosiery by more than 131%, and worsted goods by more than 136%.³⁴

Faced with such growth across the Atlantic, as well as with tariffs and depressions, British woolen exporters found the American market very disappointing in the 1890s. Such exports had fallen from their peak in 1872 of 6.3 millions sterling to only 1.6 millions in 1877. By 1890 they had recovered well but were checked once again as the following figures show:³⁵

British Exports of Woolen Manufactures and Yarns (millions sterling)								
	1890	1891	1892	1893	1894	1895	1896	1897
Total	25.7	23.5	23.2	22.5	20.0	27.0	25.5	22.6
To U. S.	4.8	3.0	3.5	2.6	1.6	6.5	3.5	3.4

The British silk industry was equally affected by what one observer called "the simultaneous progress of the silk manufacture in the United States, and decay in this country for twenty years." His figures justified the remark:³⁶

³⁴The Economist, MTS, April, 1892, 10.

³⁵See Com. History, annually, for the figures and also for the anguished complaints reported nearly every year from the various woolen centers. Still another significant decline of exports to the United States was experienced in 1898 and 1899.

³⁶Burgis, Perils to British Trade, 184; Burgis used as the sterling equivalent of the dollar 4s. 2d., rather than the 4s. Od. which was more customary at the time.

Value of Raw Material Used in the Silk Industry (₤)

	1860	1870	1880
United Kingdom	6,482,066	5,774,510	3,383,373
United States	812,870	1,628,658	3,864,409

When The Economist surveyed the industry in 1890, it found that while the United States continued to purchase increasing amounts of British yarn for its own manufacturing use, American purchases of silk cloth were declining. The McKinley Tariff provided a further obstacle to British silk exports, but American production was the most serious limitation.³⁷

The Times reported that in 1891 there were nearly six hundred silk factories in the United States. "It is said that American manufacturers have now taken the entire home market for certain styles of silk fabrics."³⁸ The growth of American silk manufacturing had, it was claimed, both reduced the market for British silks and led to a 40% decline in silk prices since 1885.³⁹

Coal, Iron and Steel

The quantity and the cost of coal production were important factors in the growth of an industrial economy, for they affected, directly or indirectly, the cost of production of nearly the whole gamut of manufactured goods. For no other

³⁷Com. History, 1889, 27; Com. History, 1891, 19.

³⁸The Times, May 7, 1892, 8.

³⁹Williamson, British Trade and Foreign Competition, 209.

industry were these more crucial than for iron and steel. And, since the British were so vitally and constantly concerned in the 1890s with the enormous growth and occasional competition of the American iron and steel industry, they could not help but take a keen interest in American coal production also.

In 1890 the United States was already producing more than one-fourth of all the world's coal.⁴⁰ Production continued to rise and in 1893 the United States produced a record 164,000,000 tons and entered the coal export trade.⁴¹ Not only was American coal being mined in record quantities, but the cost of production was decreasing. Carnegie claimed that generally coal was "much cheaper in the United States than in Britain. If we compare New York and London, New York receives anthracite coal as cheaply as London receives bituminous coal. The former will, at least, give double service, and it is said to yield three times as much."⁴² And a knowledgeable British observer claimed that

So far as the United States are concerned, we have to face the prospect of being permanently dislodged from our former supremacy of rank as a coal-producing country. . . .the United States have for some years past been producing their coal at a cost not much

⁴⁰Brock, "Advance of the United States during One Hundred Years," 127.

⁴¹The Economist, March 24, 1894, 365.

⁴²Andrew Carnegie, "Britain and the United States: Cost of Living Compared," Contemporary, LXVI (September, 1894), 323.

exceeding one-half of that of many coal-fields that are being worked at home.⁴³

By 1897 the British, who formerly had found a good market for coal on the Pacific Coast of the United States where the only competition they faced was from British Columbia, were being exposed to the increasing competition of coal mined in the eastern United States.⁴⁴ Simultaneously Britain was being affected by a great engineering strike at home and American competition in numerous products and in a variety of markets. This led to a number of in-depth analyses of the basic factors underlying Britain's economic position. Perhaps no other single factor received as much attention as British coal production. Three decades earlier Stanley Jevons had initiated a great controversy when he asserted that Britain might some day exhaust her coal supply and that such a situation would threaten Britain's rank as the leading industrial nation of the world. In 1897 the President of the Royal Statistical Society gave an address recalling Jevon's thesis. He pointed out that American coal production had increased by more than 1000% in thirty-eight years and placed great emphasis "upon the danger to our commercial supremacy from the competition of the United States."⁴⁵

If in 1897 there were doubts expressed about the continuation of English commercial supremacy, there was no question

⁴³J. Stephen Jeans, "The Coal Crisis and the Paralysis of British Industry," Nineteenth Century, XXXIV (November, 1893), 801.

⁴⁴The Economist, December 11, 1897, 1739.

⁴⁵The Times, leading article, December 16, 1897, 9.

as to supremacy in the manufacture of iron and steel. In this industry the United States had surpassed Britain in 1890 and held, with only occasional exceptions, a commanding lead thereafter. And if there was rejoicing in Belfast because the Ulster linen trade sustained itself against the challenge of "McKinleyism," there was little but gloom and despair in Wales. Tin-plate was to Wales what linen was to Ulster, its only important industrial resource and its major employer of capital and labor. Most British tin-plate was produced in Wales and about three-fourths of Britain's tin-plate exports were sent to the United States; tin-plate exports normally made up the bulk of Britain's total iron and steel exports to America. When, under the protection afforded by the McKinley Tariff, the United States established a tin-plate industry capable of furnishing more than half of the nation's requirements, Wales faced disaster. Beyond Wales serious effects were also felt. The greatly reduced demand for Welsh tin-plate led to reduced demand also for the steel plate from which it was made, thus reducing demand for British steel and pig-iron. Similarly, it reduced the demand for Cornish tin and thus nearly destroyed still another regional industry. Finally, the tremendous decline of tin-plate exports to the United States, coupled with the reduction of American demand for British iron and steel products generally, had serious effects on British shipping. The growth of the American iron and steel industry, and particularly the successful establishment of American tin-plate

production, was of the utmost significance for key industries which represented gigantic investments of British capital.

At the beginning of 1890 tin-plate was not being produced in the United States and as late as September of that year The Economist asserted that no American tin-plate works were in operation.⁴⁶ A Pennsylvania Congressman, however, assured the American canning interests, who were concerned about the adverse effects to their business of raising the tin-plate duty from one to 2.2 cents per pound, that within eighteen months American tin-plate producers would be making all that was required for domestic consumption at a price competitive with imported plates. McKinley himself pointed to the tin-plate duty as one of the outstanding benefits of the new tariff. McKinley and the Congressman from Pennsylvania both insisted that the tariff would create a new industry, provide employment for between 30,000 and 50,000 men, and eliminate the payment of \$20,000,000 annually for British plate.⁴⁷

The importance of the American market to British producers can be seen in the following figures:⁴⁸

British Exports of Tin-Plates (tons)				
	1887	1888	1889	1890
Total	354,773	391,361	430,650	418,725
To U. S.	268,364	292,626	336,689	318,108

⁴⁶The Economist, MTS, September, 1890, 4.

⁴⁷The Times, August 15, 1890, 3; September 29, 1890, 5.

⁴⁸Com. History 1890, 24. According to the Com. History 1891, exports to the United States in 1890 were 321,109.

The British press, therefore, watched the tin-plate duty debate in America with great interest and concern. The Times, noting that nearly three-fourths of all the tin-plate produced in Britain was sold to canning interests in the United States, predicted that the proposed duty would "almost annihilate the tin-plate industry of South Wales." The Economist was more reserved in its comment, believing that it would be some time before the Americans could establish their own works and that, therefore, there would be an interval of time before any serious decline would occur.⁴⁹ There were reports, however, that "some of the largest manufacturers in America are increasing their capital very considerably with a view to the production of tin-plates." Even before the tariff passed, McKinley claimed that plates were being tinned in St. Louis and as soon as the duty was finally agreed upon it was announced that major works were being established at Pittsburgh and Baltimore. As early as May it had been predicted that, if the duty were increased, "parties from Wales" would establish a large tin-plate mill at Pittsburgh.⁵⁰

Congress, anticipating that it would take some time to get the new industry established, arranged that the tin-plate duty should not take effect until July 1, 1891. In the interval between passage of the tariff and that date, the

⁴⁹The Times, June 2, 1890, 11; The Economist, MTS, September, 1890, 4.

⁵⁰The Economist, October 18, 1890, 1337-38; The Times, September 29, 1890, 5; October 4, 1890, 5; May 21, 1890, 5.

British regained a certain amount of confidence. Despite reports to the contrary, The Economist maintained that "there is little evidence of any new tin-plate works being erected in America," and "the Welsh tin-plate makers who have just returned from the American excursion of the Iron and Steel Institute do not seem much alarmed at the prospect of competition in the States." Reinforcing this confidence were the Democratic victories of 1890 which called the maintenance of protection into doubt and made it unlikely that large amounts of capital would be invested in American mills. The Economist was still hopeful that the Welsh industry could be saved, along with the 500,000 tons of pig-iron which that industry annually consumed.⁵¹

The Americans remained convinced that a new industry had been born. In 1891 a celebration was held in Madison Square Garden to celebrate that birth. All the table service was of American-manufactured tin-plate, including the tin menu cards.⁵² Evidence was beginning to accumulate in support of American optimism. The British Consul at Chicago reported that "one of the largest manufacturers of cans and importers of tin-plate had nearly completed tin-plate facilities outside Chicago and it was expected "that the substitution of machinery for hand labour . . . will materially reduce the cost, and within three or four years plates will be made

⁵¹The Economist, MTS, November, 1890, 4-5; Com. History 1890, 23.

⁵²The Times, May 1, 1891, 5.

greatly cheaper than those now imported from England, and entirely of American material, and with American labour." A Chicago steel firm was planning another tin-plate mill to supply local packers, an already operative factory in St. Louis was being expanded, and other factories were being built or planned throughout the Midwest. "It is confidently believed," he reported, that the use of labor-saving equipment "will lower the cost of production to a point which will in a few years remove any fear of competition, and entirely exclude imported plate."⁵³

Anticipation of the new tariff kept American demand at a very high level during the first half of 1891, so high in fact that the total figures for the year looked quite good; British exports of tin-plate in 1891 exceeded 325,000 tons, surpassing the figures for 1890. However, only 62,000 of those tons were sent after the tariff took effect July 1. Nevertheless The Economist continued to hope that "the American demand will continue to expand still further" once the large stocks of early 1891 were worked off, for "so far there is little satisfactory evidence of any great development of the power of production on the other side of the Atlantic." James Kitson, President of the British Iron and Steel Institute, whose statement of 1890 that the Americans were and would remain supreme in iron and steel was so widely quoted, also expressed a cautious optimism. He conceded that, "should

⁵³The Economist, MTS, June, 1891, 9.

the duty on tin plates be maintained, the Americans will doubtless in course of time make their own tin plates." But he believed further that "it will take many years to displace what we are now sending from this country, and . . . it is therefore wise not to be alarmed for the future of the tin-plate trade, but rather to anticipate with confidence that the United States trade will be replaced by demands from other markets."⁵⁴

Such guarded optimism was supported by statistics; in the first half of 1892 Britain shipped a greater quantity of tin-plates to America than she had in the first half of 1890, indicating to some that American surplus stocks were nearly gone and that the trade was being resumed on a pre-McKinley scale.⁵⁵ Yet there was no denying that the McKinley Tariff had already had adverse effects on the Welsh industry. The pre-tariff overstocking of the American market had led to the danger of an "exceptional depression" for British producers. The Economist pointed out that they might be forced to go to half-production for a number of months to accomodate themselves to the reduced demand. In fact, many of the Welsh mills closed for weeks in the summer of 1891. The workers, angry at the loss of wages, threatened that they would only return after the layoff if their wages were increased and there was fear that many of them might be lured away to the

⁵⁴James Kitson, "The Iron and Steel Industries of America," Contemporary, LIX (May, 1891), 634-35.

⁵⁵The Economist, MTS, July, 1892, 3.

new mills in America. Even the increased shipments of 1892 did little to alleviate the depression of the Welsh industry for these sales were being made at prices which The Economist described as "quite unremunerative."⁵⁶ So far the Welsh industry had escaped the annihilation which The Times had predicted, but it had not avoided depression and the disappearance of profits. Such was the cost of dependency on the American market.

Late in 1892 there were those in England and America who claimed that the tariff had failed to foster an American tin-plate industry. A British critic argued that as of March, 1892 the Americans were producing only enough to satisfy two days' requirements of the United States. He noted that many American tin-plate factories, including the symbolically important Pittsburgh McKinley Tinplate Company Limited, had already failed and been abandoned. He concluded that in the attempt "to create an industry at the expense of Wales, the Americans have had the worst of it."⁵⁷ As late as December, 1892 the American Tin-plate Consumers Association complained that, even if American producers made as much as they claimed they could in 1893, this would represent only 5% of what the United States consumed; the remainder had to be imported at tremendous cost to the American consumer because of the

⁵⁶The Economist, MTS, June, 1891, 4; MTS, July, 1891, 3-4; MTS, April, 1892, 5.

⁵⁷Donald, "McKinleyism and the Presidential Election," 499-500.

tariff.⁵⁸

For many in England the future of the Welsh industry seemed closely tied to the outcome of the American presidential election of 1892. The Economist noted in July that

So far the McKinley Tariff has had but little effect on the tinplate trade. . . . No doubt some small quantity of sheets are [sic] being tinned in America, but any extensive development on the other side of the Atlantic is improbable until the issue of the present elections is decided. Should the Republicans be again returned to power there will be more confidence in the maintenance of the present high duties, and capital may flow more freely into the trade, whilst it is not impossible that some South Wales makers may decide to transfer their trade to the United States, as has been the case with other large manufacturers, such as the Coates and Clarks of Paisley.⁵⁹

The victory of Grover Cleveland generally pleased the British and kindled new hopes for tariff revision. But sober British observers realized that it did not guarantee the security of the Welsh tin-plate industry. During the first year of operation of the new duty, the United States produced 20,000,000 pounds of tin-plate, enough, the American correspondent of The Economist reported, to convince American protectionists that the tariff could foster home industries. By mid-1892, according to the American Iron & Steel Association, twenty tin-plate factories were operating or ready to operate and ten more were being built. Tin-plate imports were expected to decline considerably in the near future.⁶⁰ According to

⁵⁸The Economist, MTS, December, 1892, 8.

⁵⁹The Economist, MTS, July, 1892, 4; see also "Terne," letter to The Economist, October 22, 1892, 1333-34.

⁶⁰The Economist, August 20, 1892, 1071; MTS, June, 1892, 4.

a United States Treasury report thirty-two works were producing tin-plate in September and fourteen others were being built; ten of the producing firms were enlarging their facilities. The United States was at that time producing at an annual rate of 50,000,000 pounds or one-sixteenth of total American consumption. Under such conditions The Economist warned that "it would be dangerous . . . to assume that the change of Presidency will at once put a stop to tin-plate production" in America. Given the current level of activity, "the more important question is whether any reduction of duty will entirely stop the production in America." Many authorities believed that once the industry was established in the United States no policy was likely to check it,

especially as the American mind is quick to devise new methods and improvements upon the production of old countries. When any revision of the tariff comes to be considered, there is no doubt that the new industry will have to be heard in its defence. . . . it is just possible that such a measure of protection will be accorded in the future as may enable the American producers of tin-plates to compete successfully with South Wales. . . . The fact that several South Wales tin-plate makers are opening works in America would seem to indicate an expectation on their part that the production is likely to be still further developed.⁶¹

Yet British exports increased once more in the first quarter of 1893 and British opinion remained, tentatively at least, optimistic. Export figures indicated to The Economist that "in spite of the excessive duty and the efforts made to manufacture tin-plates in the United States, we are still able to command an extensive market there." In March,

⁶¹The Economist, November 19, 1892, 1445.

1893 the Foreign Office released a report on the American tin-plate industry drawn up by the British Legation at Washington, a report which The Economist described as "exhaustive." Its principal findings were that little American-made tin-plate had as yet become commercially available and that imports of British plate had not declined but had in fact shown signs of increasing. According to the official who prepared the report, "a new industry in the manufacture of tin-plates may be said to have started in the United States" and "there appears to be no reason why the present difficulties as to price and quality . . . should not be overcome in course of time, provided the duty be maintained." But, he continued,

whether the industry prove to be a success or merely an experiment, it will, I venture to predict, be long before more tin-plate is produced than will be absorbed by the constantly increasing consumption in this country, and it will probably be years before the English product will be seriously affected by the McKinley Act or by the new industry under the best of circumstances.⁶²

The American depression of 1893-1894 resolved these ambiguities and destroyed British hopes that the tin-plate industry could maintain its American market. The American depression caused a drastic drop of British exports to the United States during the second half of 1893 and "tin-plates experienced even greater depression than any other branch of the iron and steel trade." American imports of British tin-

⁶²The Economist, MTS, April, 1893, 2; March 18, 1893, 323; The Times carried an account of this report May 19, 1893, 2. For further manifestations of British confidence, see The Times, leading article, January 25, 1893, 9; and The Economist, MTS, January, 1893, 9.

plates, which had fallen from more than 325,000 tons in 1891 to about 278,000 tons in 1892, fell still further in 1893 to less than 256,000 tons.⁶³ This substantially reduced demand for British steel plate and for pig-iron. Furthermore, it nearly destroyed the tin-mining industry of Cornwall, for the demand for Cornish tin was almost totally dependent on the American demand for tin-plate. By mid-1894 many Cornish mines were on the verge of bankruptcy and tin-mine shares had fallen from 40% to 97% below their post-McKinley Tariff highs of 1892.⁶⁴

The depression in the United States lowered prices and production costs to such an extent that The Economist believed that America would be able to maintain her tin-plate industry and supply much of her own requirements. By early 1895 the price of steel billets, the raw material of the industry, was "actually less in the United States than in South Wales" and American production continued to rise. There was little hope for any immediate revival of the Welsh tin-plate industry, but only the watchful waiting to determine the effects on the American industry of the new Wilson Tariff, which reduced the tin-plate duty from 10 to 5 10s. a ton.⁶⁵

American production figures provided no basis whatsoever

⁶³The Economist, July 1, 1893, 785; MTS, September, 1893, 2; December 30, 1893, 1560; Com. History 1893, 25.

⁶⁴The Economist, August 4, 1894, 954-55.

⁶⁵The Economist, October 6, 1894, 1224; MTS, January, 1895, 5; April 13, 1895, 482.

for British optimism. According to the American Iron & Steel Association, there had been no American tin-plate industry when the McKinley duty took effect in mid-1891. Within four years, it boasted, "we had built up a tin-plate industry that had excited the wonder of our Welsh rivals, compelled them to greatly reduce the price of the tin-plates they sent us, and given ample assurance that in less than four years more--perhaps in less than two years--we will be able, with favourable legislation, to supply all our own wants for tin-plates, including exports, thus saving an annual payment of about \$20,000,000 to foreign manufacturers." There could be no doubt that the American industry had grown impressively:

American Tin-Plate Production (lbs.)			
1892	1893	1894	1895
13,646,719	99,819,202	139,223,467	193,801,073

"This pyramid of tin-plate production," contended the Association, "forms as complete a justification of the Protective policy as has ever been printed."⁶⁶

The prospects of the British industry could hardly have been gloomier than they were as the tin-plate manufacturers looked toward 1896. Though the American economic recovery of 1895 had driven up the American cost of production, causing tin-plate producers to agitate for increased tariff protection,⁶⁷ both The Times and The Economist by now conceded

⁶⁶The Economist, November 16, 1895, 1498-99.

⁶⁷The Economist, July 20, 1895, 942-43; September 28, 1895, 1275-76; November 16, 1895, 1498-99.

that the United States had become practically self-sufficient in the manufacture of tin-plates.⁶⁸ The United States was now capable of producing at least 200,000 tons a year, a figure sufficient to cut the average British shipments of 1889-1893 by half. And, as if this were not bad enough, there was the possibility that the tin-plate tariff might be increased once again. As The Economist sadly pointed out in its review of the first quarter of 1896, only a few years earlier Britain had been producing 550,000 tons of tin-plate annually and sending more than 60% of it to the United States. "Now we have lost fully one-half of the American trade, and the remainder might be lost altogether by any change in the American tariff."⁶⁹

Whereas every other branch of the British iron and steel industry experienced a renewal of prosperity in 1896, the tin-plate trade remained severely depressed. Even increasing production costs proved incapable of checking the amazing growth of the American tin-plate industry. American production increased from 193,801,073 lbs. of tin-plates in fiscal 1895 to 307,228,621 lbs. in fiscal 1896, an increase of 58% in a single year. Correspondingly, British tin-plate exports declined significantly and by mid-1896 half the tin-plate works of South Wales were reported closed. Whereas only five years earlier Wales had shipped an average of more than

⁶⁸ The Times, leading article, January 14, 1896, 9; Com. History 1895, 23-24.

⁶⁹ The Economist, January 4, 1896, 4-5; April 11, 1896, 455.

25,000 tons a month to the United States, the monthly average in 1896 was only 10,000 tons, a decline of 60% in the trade of Wales' principal customer. Throughout most of 1896 nearly half of the 530 tin-plate mills in Britain were closed and the remainder operated only irregularly.⁷⁰

The prices which Welsh makers got for their product had been low for years. The American tendency toward self-sufficiency kept them low and the depressed condition of the American iron and steel industry which led to the intense Anglo-American competition of 1897 drove them lower still. As mill after mill closed down or reduced hours and wages, labor troubles became serious in the Welsh tin-plate industry. The Economist was highly critical of the workers for refusing "to meet the serious competition now experienced by English manufacturers, and if this condition of matters continues, the results may be very disastrous to the trade of the country."⁷¹ Any British reader who had followed the vicissitudes of the British tin-plate trade in the pages of the British press since the passage of the McKinley Tariff might have been excused for thinking that the disaster had already occurred.

Though other branches of the British iron and steel industry were not as drastically affected as the tin-plate trade, the industry generally nevertheless faced a formidable challenge from its American counterpart in the 1890s. In

⁷⁰The Economist, July 11, 1896, 892-93; November 21, 1896, 1532; January 16, 1897, 76-77.

⁷¹Ibid.

1890 the United States had surpassed Britain for the first time in the production of iron (9.2 million tons to 7.9 million) and of steel (4.3 million tons to 3.7 million). At the meeting which the British Iron and Steel Institute held at Philadelphia in 1890, Sir James Kitson, Institute President, asserted that

the United States are the first producers of iron in the world, and this is the first year of their exceeding the production of Great Britain, in which industry Great Britain will never be able to regain the lead. It is undeniable that America also leads the world in the production of steel.⁷²

Kitson's prediction was not quite accurate. Britain regained the lead in pig-iron production by a wide margin in 1894 and by a slight margin in 1896. The statement, however, remained essentially true. Whatever the actual production figures, American productive capacity grew much more rapidly during the 1890s than that of Britain so that, whenever demand warranted it, the United States could out-produce Britain by a very wide margin.

The British iron and steel industry was reviving in the latter 1880s from the serious depression which the industry had suffered a few years earlier:⁷³

⁷²Brock, "The Advance of the United States during One Hundred Years," 127; Jennings, "The Trade League against England," 902. There were numerous other references to Kitson's statement in the British press in the early 1890s.

⁷³Com. History, annually. These total export figures include tin-plates.

British Exports of Iron, Steel, and Their Products (tons)						
	1885	1886	1887	1888	1889	1890
Total	3,128,401	3,319,167	4,146,907	3,966,984	4,188,388	4,001,57
To U.S.	397,613	804,570	1,212,445	639,760	573,666	522,94

In regard to these figures it should be noted that: (1) Britain, which had long been without a serious rival, had been displaced as the world's leading producer in 1890; (2) the United States was a major purchaser of British iron and steel, taking no less than 12% and upon occasion as much as 30% of Britain's total exports; (3) American purchases fluctuated violently, 1886 witnessing an increase of more than 100% and 1888 experiencing a decrease of nearly 50%; and (4) there was no inverse correlation between American production and British exports to the United States, for the same tendencies--especially the periodic "booms" in railroad construction--which stimulated American production simultaneously enhanced the opportunities for British exporters.

At the beginning of 1890 all seemed well with the British iron and steel industry. British total production and exports were both up in 1889, despite declining American purchases. According to The Economist, "the prospect of any immediate increase in our trade with America is not very good," for "the iron and steel trade of America has expanded at a very rapid rate, and the production of pig-iron has been more than doubled within ten years." Nevertheless, it continued, "it is probable that the shipments to the United States have now about reached a minimum, as they consist mainly of tinplates

with a small quantity of pig-iron, unmanufactured steel, and old iron."⁷⁴ With the important American market apparently stabilized and home and foreign demand on the rise, the industry anticipated great prosperity. The revival in iron and steel had led to a great wave of activity in the engineering trades as well. When The Times compared the engineering trades of Britain with those of the United States and the Continent it smugly concluded that freedom of import and governmental non-interference tended in the long run to produce the greatest prosperity.⁷⁵ The Economist also took note of this engineering activity and commented that

while on previous occasions export to the United States has been the main factor in determining the prices of iron and steel, such a measure of trade no longer applies. The increased demand for the services of British engineers, and for the products of engineering factories, comes now from all parts of the world.⁷⁶

The British iron and steel industry looked to the future with confidence. Activity and prosperity had returned. The industry was less dependent on American demand, for home consumption and foreign sales in other markets were increasing. Exports to the United States were believed to have hit bottom. Though the American correspondent of The Economist reported that Americans were predicting that within five years the United States would have replaced Britain as the iron-supplier of the world,⁷⁷ the British could easily pass this off as the

⁷⁴Com. History 1889, 22-24.

⁷⁵The Times, January 24, 1890, 13.

⁷⁶Com. History, 1889, 21.

⁷⁷The Economist, February 8, 1890, 175-76.

idle talk of a traditionally boastful people. They knew, for example, that the United States Commissioner of Labor had determined that the labor cost for producing a ton of steel rails in the United States was \$11.59 whereas in England it was only \$7.88.⁷⁸ With such a competitive edge, the British felt they had little to fear.

As previous chapters have shown, however, economic conditions could change rapidly and drastically and this proved no less true for the British iron and steel industry between 1890 and 1897. During the period it experienced both prosperity and depression, often alternating with great rapidity. It learned that, contrary to the opinions of 1890, not only did the American market still mean a great deal, that it was as important as any other single factor facing the British industry, but it also experienced occasionally severe American competition in iron and steel and in the engineering trades. It faced this American challenge in the American market, in neutral markets of the world, and even in England itself. Not even Middlesborough, capital of the British iron and steel industry, escaped being directly confronted by the American challenge.

The prosperity and confidence of 1890 gave way with great suddenness. First came the Argentine political and financial crisis and the subsequent Baring collapse. Then the McKinley Tariff was passed. Finally, in 1890 American iron and steel production outstripped that of Britain.

⁷⁸The Times, August 15, 1890, 3.

By mid-1890 January's optimism had begun to evaporate. Exports, The Economist reported, no longer represented a bright spot in the picture and this was particularly true of the American market. "Owing to the great expansion of production in the United States during the last twelve months . . . our export trade with America is a diminishing quantity, and even some of this is threatened by the Tariff Bill." The McKinley Tariff reduced certain duties, as Carnegie and others pointed out to the British. But the duty was increased on the finer qualities of steel such as cutlery and screws and the duties under the new tariff on such important items as steel rails, beams, and wire rods remained sufficiently high to compensate for the greater American production costs and still leave an ample margin of protection. We have already seen what effect the McKinley Tariff had on tin-plates, which represented 60% of Britain's total iron and steel exports to the United States in 1889 and 1890. The next most important item among these exports was cotton tie hoops, which the United States used in large quantities to bundle raw cotton for shipment. The Times and The Economist agreed that the framers of the McKinley Tariff increased the duty on cotton ties "so as to secure their being made in America, and . . . we will likely lose this trade (about 20,000 tons) for next season," for the duty was high enough "to secure the whole of that trade to the American manufacturer." As The Economist wrote: "The intention of this tariff is to secure to American Producers all the trade in iron and steel, and it would appear

as if in time this might happen, but, as it will not happen suddenly, we shall have time to adapt ourselves to this changed condition of affairs." With the tariff affording ample protection to American makers, with the tin-plate trade in jeopardy, and with the cotton tie trade likely to disappear, British iron and steel producers would lose the demand for a half-million tons of pig iron a year and the iron export trade "has now but a comparatively small interest in American business."⁷⁹

In sober contrast to the sanguine outlook at the beginning of 1890, The Economist declared the outlook for 1891 to be dismal. "Our trade with the United States," it said, "has received a great shock by the passing of the McKinley Tariff Bill . . . [and] it is beyond doubt that for some considerable time our trade with that country must experience a check."⁸⁰ While the British producers grew increasingly anxious about their depressed trade, two illustrious British visitors to the United States were writing glowing reports on the growth of the American industry, especially that of the South. The Duke of Marlborough, after presenting the usual array of statistics and an invidious comparison of British and American rates of growth, hazarded the prediction that the center of American production would shift from Pennsylvania to Virginia

⁷⁹The Economist, MTS, September, 1890, 4; Donald, "McKinleyism and the Election," 497-98; The Times, January 30, 1891, 3; The Economist, October 18, 1890, 1337-38; Com. History 1890, 23.

⁸⁰Com. History 1890, 23; The Economist, January 3, 1891, 5-6.

and Tennessee. He looked forward to the day when its ample coal and ore supplies and the cheaper transportation and labor costs which it enjoyed, would enable the South to outproduce the North and to become "a veritable Black Country in America."

Sir James Kitson, President of the British Iron and Steel Institute who had in 1890 declared the supremacy of the American industry, called attention to the great American talent for adaptation. Though the important inventions of the modern iron and steel industry were all of British origin, according to Kitson, the Americans profited from English experience. "The Americans have not invented, they have improved" and, "supplemented by their own ingenuity for mechanical devices and appliances, they were able to lay down plant of the best models. . . . Their blast furnaces are more capacious than ours, their engines are more powerful, their rolling mills are of new and improved construction." These, together with the high standard of education, particularly technical education, among the workers and the managers' promptness to discard the old and immediately adapt whatever improvements became available, made American facilities the best in the world. This was particularly true of the Southern facilities. Kitson noted the rapid expansion of iron foundries, nail factories, and pipe and engine works in Alabama. The production of pig-iron in that state had increased from a mere 62,000 tons in 1880 to 1,780,000 tons in 1890. The Birmingham district alone produced 2,200 tons of pig-iron a day and at the lowest

production cost in the United States.⁸¹

Despite such impressive growth, Kitson insisted that "there need be no ground for apprehension as to the competition of the United States," for "the English iron and steel makers will continue to hold their position with their keenest competitors." Not only were the British beginning also to erect modern facilities on a large scale, but the vast productive capacity of the United States would be kept fully occupied satisfying the enormous domestic demand. Even were this not the case, the British policy of Free Trade, "our insular position, our abundant supply of labour, our accessibility to mineral products, make it certain that England, as a producer of iron and steel, will continue to hold the leading place in the neutral markets of the world."⁸² Such confident predictions, however, could not hide the fact that the British industry was in serious trouble in 1891 and 1892. British pig-iron production in 1890 declined by nearly 400,000 tons, while American production increased by 21% (on top of a 17% increase in 1889). Longer-term statistics were even more alarming. Between 1880 and 1890 American steel production had increased by 290%. Between 1880 and 1892 British production of pig-iron had decreased by the enormous amount of 1,132,343 tons, while American production increased by 5,321,809 tons. Under the circumstances The Economist felt obliged to echo Kitson's remark of 1890 and to grant to the United States

⁸¹Duke of Marlborough, "Virginia Mines and American Rails," 791-92, 795; Kitson, "The Iron and Steel Industries of America," 635-36, 640.

⁸²Kitson, "The Iron and Steel Industries of America," 640-41.

"the title of premier pig-iron producers of the world."⁸³

The dismal pattern continued. British pig-iron production, which in 1891 had fallen to a post-1886 low, fell still further in 1892 to 6,616,890 tons. British total exports of iron and steel, which between 1887 and 1890 had averaged more than 4,000,000 tons annually, fell in 1892 to only 2,740,217. British exports to the United States also continued to decline; in 1892 they reached the lowest point in nearly a decade:

British Iron and Steel Exports to the United States (tons)

1887	1888	1889	1890	1891	1892
1,212,445	639,760	573,666	522,943	437,884	348,788

Reasons for this export decline were not hard to find. Tinplate exports were checked if not yet destroyed. The trade in cotton ties had been destroyed; in 1891 Britain exported less than 5,000 tons of this article to America, far under the nearly 30,000 tons of 1889. Another badly depressed branch of the British industry was that of steel rails. The Economist pointed out in dismay that not only had most of Britain's former customers ceased to build railroads at the same time but that some countries, the United States among them, could now make all the steel rails they required.⁸⁴

⁸³ The Economist, MTS, November, 1890, 5-6; The Times, April 24, 1891, 5; Williamson, British Industry and Foreign Competition, 236-37; The Economist, February 7, 1891, 170-71.

⁸⁴ The Economist, MTS, April, 1892, 5; December 31, 1892, 1636. See also the Com. Histories for 1891 and 1892.

Hindrances to British exports to America were not limited to expanding American production and the protective tariff, however. The American industry had overproduced in 1890; in 1891 it faced depressed conditions and cut back production. But, far from bringing any satisfaction to the British industry, this reaction led to price-cutting and an American search for foreign markets.⁸⁵ In 1891 Andrew Carnegie predicted that the already low American prices would decline still further before the depression was corrected. This meant that there was little hope for any British revival for, as Carnegie pointed out, the industrial economies were interdependent. "The world is so closely interwoven, one part with another," he said, "that nothing can happen in Europe which cannot affect us here, and vice versa."⁸⁶ This interdependence of the British and American economies, lost sight of when British trade prospered in 1889 and 1890 despite the fact that exports to America were falling to less than half the 1887 level, was brought once again to the attention of the British during the depressed conditions of 1891; they seldom forgot it thereafter. American prices did continue to drop, as Carnegie had predicted. "The present prices ruling in America for pig-iron and steel rails," The Economist commented in 1892, "does not seem to hold out any immediate hope for any increase of trade

⁸⁵This competition will be examined in Part III.

⁸⁶The Economist, MTS, April, 1891, 4, quoting an interview with Carnegie which appeared in the American journal, Iron Age. For additional comments on this interdependence, see The Economist, August 8, 1891, 1015-16; and MTS, September, 1891, 4.

in these articles."⁸⁷

In the light of all these factors The Economist doubted the validity of the British optimism which the election of Grover Cleveland brought about. It pointed out that British iron and steel exports to the United States had been falling consistently since 1887, even before the passage of the McKinley Tariff. Furthermore, American production was on the rise again after a slack 1891. In 1892 the United States produced 9,157,000 tons of pig-iron to Britain's 6,617,000 and with already existing facilities the United States could produce more than 12,000,000 tons if demand warranted it. "Of one thing," The Economist concluded, "the British iron-master may remain perfectly satisfied, and that is, that the Americans, having now got the control of their own market, mean to keep it by hook or by crook." Finally it pointed out that, if a tariff reduction resulted from the Cleveland victory, wages and other costs of production would also decline and the United States would become still more competitive in neutral markets.⁸⁸

By early 1893 the unsatisfactory conditions in the British iron and steel industry were becoming more widely noticed. The Times called attention to the increasing disparity of production between the rivals: "The production of pig-iron [in the United States] increased from 2,546,713 tons in 1872

⁸⁷The Economist, November 19, 1892, 1445.

⁸⁸The Economist, February 4, 1893, 133-34; November 19, 1892, 1445-46; December 31, 1892, 1637-38.

to 9,157,000 tons last year. Twenty years ago it was a little more than a third of that of Great Britain; but it has grown so steadily and rapidly that now the United States is the largest producer in the world."⁸⁹ A very much stronger statement appeared in The Fortnightly Review:

From all we can learn it seems certain that the extraordinary depression of the British iron and steel trade must be attributed chiefly to the effects of competition. In the United States, iron and steel are produced as cheaply as, if not more cheaply than, in Great Britain, although the wages of labour are from fifty to seventy per cent. higher in America, and capital can only be obtained there at a higher rate of interest. It is a severe reflection upon the intelligence of the British manufacturers of iron and steel that they are losing their supremacy in this branch of trade, because they will not introduce labour-saving appliances until they are compelled to do so by the pressure of successful competition.⁹⁰

The worst, however, was still to come. The American depression which began in the summer of 1893 had an immediate and tremendous impact on British trade and iron and steel suffered along with the other British industries. The extent of the British adversity can be judged from the following mournful mid-year comment:

Bad as the present condition of the [iron and steel] trade is, we regret that beyond the statement that "things can scarcely be worse," we see little to encourage any great expectations as to the future. . . . Our best foreign customers are now suffering very severely from financial disturbance, and we cannot expect but that they will do a hand-to-mouth trade for a very long time to come.

If anything, continued The Economist, the American situation

⁸⁹The Times, February 27, 1893, 11.

⁹⁰"The Present Depression of Trade," Fortnightly, LIII n.s. (March, 1893), 308-09.

"is perhaps more unsatisfactory than our own." British pig-iron production increased slightly. In the United States pig-iron production declined by 22% (though it remained larger than British production) and Bessemer steel production dropped off even more sharply. With the American market in such a depressed state, British iron and steel exports to the United States declined for the sixth consecutive year.⁹¹

The gravest problem for the British industry remained the decline of American prices. This decline, which had begun in 1891, was accelerated by the depression of 1893-1894. The American correspondent of The Economist pointed out in 1893 that the price of American steel rails had recently been slashed from \$29 to \$21 a ton, "so that we have the spectacle of leading rail manufacturers offering their wares at practically the same price they would cost f.o.b. at London, without takers."⁹²

Not even the substantial reduction of certain duties enacted by the Wilson Tariff was sufficient to restore British sales in the American market. Though the new tariff out-McKinleyed McKinley by raising the duty on such metal manufactures as wire, iron and steel rivets, and umbrella and parasol ribs, tips, and frames, the general direction of the revision was downward in iron and steel as well as in other products. The duty on tin-plate, as we have already seen, was

⁹¹The Economist, July 1, 1893, 785; MTS, February, 1894, 4; Com. History 1893, 25.

⁹²The Economist, December 2, 1893, 1437.

nearly halved. Cotton ties were placed on the free list. The duty on pig-iron was cut from \$6.72 to \$4.00 a ton and other reductions were also made. But, since America was now producing iron and steel at virtually the same price as the British (or at least at prices equivalent to British cost plus transportation charges), the Wilson Tariff availed the British iron and steel industry next to nothing. The Americans were manufacturing cotton ties at a cost sufficiently low to exclude British imports. The same was true in the case of railroad and bar iron, which "are now sent [to America] in such exceptionally small quantities that the trade may be said to be practically nil" and no tariff revision could alter the fact. As for pig-iron and steel, the reduced protection afforded by the Wilson Tariff was still more than sufficient to give the Americans the competitive edge in their home market.⁹³

When, toward the end of 1894, the American industry began to revive and it became apparent that low American prices were not merely the result of depression and therefore only temporary, the British became alarmed. Andrew Carnegie pointed out to British readers that the price of Bessemer pig-iron and of steel billets at Pittsburgh had dropped below the prices at Middlesborough, center of the British industry.⁹⁴ The Economist analysed at great length the fall of iron and steel prices

⁹³The Economist, September 1, 1894, 1077-78; August 25, 1894, 1042; October 6, 1894, 1224.

⁹⁴Carnegie, "Britain and the United States," 323; for a similar report see The Economist, MTS, January, 1895, 5.

throughout the world and concluded that the tendency was strongest in the United States, where manufacturers had substantially reduced prices, in some cases cutting them by half. They had been able to do so because of the reduction of the price of ore (now as cheap as that which Britain used); the reduction of the price of coke (now much cheaper than British coke); the reduction of transportation costs (also much cheaper than Britain's); and the reduction of wages (by as much as 20%). Though American wages remained higher than British wages, American labor was considerably more efficient. The only factor which saved the British iron and steel industry from the gravest danger was, according to The Economist, distance and the necessity of transporting the American product by rail or by river and then across the Atlantic. "But for this fact the iron-masters of Alabama would now be flooding English markets with their common forge and foundry pig-iron, which they are selling at furnaces for four or five shillings per ton less than the same quality of iron is sold for in this country." There were reports that a manufacturer in the American South had taken a large order for pig-iron at less than \$6 a ton; a decade earlier most iron experts had been certain that pig-iron could never be sold profitably at less than \$10 a ton. The Economist warned further that, if these conditions did not change, not only would the British have to reconcile themselves to the loss of all their American business "but we should be prepared for possible competition in some of our foreign markets; already it is experienced in Canada." In

fact, in both 1893 and 1894 American exports of iron and steel exceeded the import of those goods. There were reports that high quality American iron and steel products were underselling British goods in England itself.⁹⁵

Although in 1894 British production of pig-iron exceeded American production for the first time in five years, the American industry revived rapidly at the end of the year, leading The Economist to predict that there would be no increase of British iron and steel exports to the United States. Happily for the British, in the short run at least, the prediction proved erroneous. By mid-1895 the American revival was in full stride; there was a general recovery throughout the American economy in which the iron and steel industry participated fully. Renewed prosperity meant renewed demand. Together they led quickly to rather considerable price increases which in turn presented long-awaited opportunities for British iron and steel producers. Even cotton ties, which Britain had not exported to the United States for years, were once again in demand and The Economist happily predicted that most of America's requirements for cotton ties in 1896 would be imported from Britain. For the first time in years the "Commercial History & Review" was able to report a distinct improvement in the British iron and steel industry, an improvement based

⁹⁵The Economist, November 3, 1894, 1343-44; February 2, 1895, 153-55; Com. History 1894, 23; May 25, 1895, 686; Williamson, British Industries and Foreign Competition, 236-37. For details on American competition outside the United States see Part III.

chiefly on the reappearance of American demand for British iron and steel goods.⁹⁶

American economic recovery stimulated British exports and British hopes, but they were to be short-lived. As prices soared, so did American production. The American industry had been producing at only two-thirds capacity or less for several years, but as soon as prices became remunerative the additional capacity was brought into operation. During the interval between the decision to go to full production and the actual expanded functioning of the American facilities, British producers eagerly received a flood of American orders. But the brief duration of such a prosperous interlude was apparent to The Economist even at the beginning of 1896. British optimism, it warned,

was in large measure doomed to disappointment, owing to the rapidity with which the American manufacturers set to work to bring their large reserve force of production into operation. . . . Unless there is a very large demand from the railway companies of America in 1896 it will be found difficult to absorb the present tremendous output, and competition will likely keep prices down to about the cost of production.⁹⁷

Just how rapidly the Americans responded to the new situation can be seen in the fact that pig-iron production in 1895 increased by 42% over 1894, reaching a record 9,446,000 tons, well above the previous high of 1890. By November of 1895 American production had risen to an annual rate of 12,000,000

⁹⁶The Economist, October 12, 1895, 1334; Com. History 1895, 23.

⁹⁷Com. History 1895, 23-24.

tons and the experts insisted that this could be increased to 15,000,000 if necessary. But, as The Economist predicted, only highly unusual requirements could create a demand sufficient to absorb this large output; American demand in 1896 proved inadequate to the enormous production. By early 1896 the rate of production had dropped 10% from its November peak and prices had fallen by \$4 a ton.⁹⁸

The growth of the American iron and steel industry had won admiring commendations from British protectionists. As one wrote:

The great object of American statesmanship has been the creation of manufacturing industries; and this object has been realised by the aid of protective duties. The rapid growth of the iron and steel trades in the United States proves the wisdom of American fiscal policy. Home production for home consumption has been the corner-stone of America's industrial system.⁹⁹

In 1896, however, American home consumption proved unequal to production and prices once again began to fall. We have already seen that this reaction proved to be the final disaster for the British tin-plate industry. What it meant generally to the British iron and steel industry was active competition in Latin America, in Asia, and even in England. British interest in the American market tended to fade in the face of this American competition, to which we must now turn.

⁹⁸The Economist, February 1, 1896, 137-38.

⁹⁹Burgis, Perils to British Trade, 180.

PART III. THE GROWTH OF AMERICAN INFLUENCE
AND COMPETITION AROUND THE GLOBE, 1890-1897

CHAPTER VI

THE APPEARANCE OF AMERICAN COMPETITION

The Growth of American Exports

As Part II attempted to show, the major thrust of the American challenge between 1890 and 1897, as seen from the British point of view, had to do with British losses in the American market. Nevertheless, even at the height of the debate in the British press over the effects of the McKinley Tariff, a few observers foresaw that Britain might have to confront that challenge on a much broader scale in the future. The "main object" of the Americans, wrote L. J. Jennings,

is to build up the biggest trade in the world, and they will do it, and do it moreover by that very Protection which, as our philosophers tell us, saps the foundations of every industry to which it is applied. . . .the Americans have beaten us at the iron and steel trades, in which thirty years ago they did next to nothing, and eventually they will pass us in the cotton trade. They are now turning their attention to shipping, in which we are at present supreme. . . .the shrewd Americans believe that their chance has come of stepping into the first place, and putting England into the second.¹

Jennings was a Fair Trader and therefore perhaps not an unbiased witness. There was no taint of the Fair Trader about J. Stephen Jeans, however. Jeans favored Free Trade for England and he was a sober analyst not given to exaggerating

¹Jennings, "The Trade League against England," 910-11. For the earlier contributions of Jennings, Jeans, and Atkinson, see Part I.

the American threat. He too attempted to alert British readers to the possibility of American competition. His argument had nothing to do with American protection but was, rather, an amplification of certain points which the American Atkinson had first brought to the attention of the British public. Like Atkinson, Jeans believed that the growth of the American railroads, by cheapening commodities throughout the world and revolutionizing the source of Europe's food supply, had established a new world economic situation. He noted that the United States already benefited from low ocean transport rates and he anticipated still further reductions of American internal transportation costs. "It seems, then," he wrote, "to be the 'manifest destiny' of the United States to continue for many years to come to be the dominant factor in the agricultural, and perhaps, also, in the industrial situation of Europe, and more especially of the United Kingdom." Though Jeans' more immediate concern was Britain's overwhelming dependence upon the United States for food, he wrote of the American transportation revolution that "it is not, perhaps, too much to affirm that there is no source of danger threatening her industrial supremacy and her commercial prestige from which our own country has so much to fear in the future." According to Jeans, "it must have been to some such contingency as this that Lytton looked forward when, in 'The Coming Race,' he speaks of having

touched but slightly, though indulgently, on the antiquated and decaying institutions of Europe, in order to expatiate on the present grandeur and prospective

pre-eminence of that glorious American republic, in which Europe enviously seeks its model and trembling foresees its doom.²

More typical of British opinion in 1890, however, was The Economist when, without any mention of the United States, it listed Britain, Germany, and France as the "chief rivals in the world market."³ American exports had demonstrated an awe-inspiring growth since 1870, when they had amounted to less than £80,000,000. In 1889 American exports were valued at £165,450,000 (compared with Britain's £248,049,000), an increase of nearly 20% over 1888. But "it is noticeable, as usual," The Economist said, "that the manufacturing industry of the country has but an insignificant share in the improvement." Two-thirds of the total was made up of food and raw cotton and three-fourths of the increase over 1888 was in these same commodities. According to The Economist,

Manufactured goods constitute only a small fraction of the total and show but a trifling advance, the main reason, of course, being that the manufacturing industry of the country is hampered by the protective tariff. . . . However much the protective tariff may enable manufacturers in the United States to dominate the home markets, it certainly renders it impossible for the country to compete in her export trade with one which labours under no fiscal restrictions.

Passage of the McKinley Tariff further strengthened this widely-held British belief. Though total American exports rose again in 1890 and iron, steel, and cotton goods exports showed

²J. Stephen Jeans, "American Railways and British Farmers," Nineteenth Century, XXVIII (September, 1890), 407, 392, 409. The Coming Race (1871) was a utopian fantasy of a lost subterranean people, by Edward Bulwer, Lord Lytton.

³The Economist, MTS, October, 1890, 15-16.

impressive gains, The Economist continued to insist that

it is difficult to see how any impetus can be given to foreign trade in manufacturing articles so long as the cost of production is enhanced by protection. If the people of the United States care to relinquish their power of competing in the markets of the world in order that a few manufacturers amongst them may enjoy the monopoly of the home trade . . . it is scarcely the place of outsiders to complain.⁴

As we have seen in Chapter IV, however, by 1897 The Economist was forced to acknowledge that American manufactured exports were serving to check the expansion of similar British goods. America's competitive ability came as something of a revelation to the British in 1897 for, despite the numerous indicators that appeared in the British press between 1890 and 1897 which comprise Part III of this study, few people in Great Britain really believed that a nation which adhered to "McKinleyism" in one form or another could be a truly formidable competitor in world markets. This chapter will examine what may be called the pre-conditions to the emergence of serious American competition: the growth of American manufactured exports, plans for strengthening the American merchant marine, and the expansion of America's global influence. Subsequent chapters in Part III will examine reciprocity and American competition in the New World and American competition around the globe between 1890 and 1897.

It quickly became apparent that the American policy of "McKinleyism" was not going to halt the growth of total

⁴The Economist, MTS, March, 1890, 5-6; MTS, March, 1891, 5-6. Similar statements often appeared in The Times; see, for example, February 15, 1890, 13.

American exports or the expansion of American industrial capability. Yet both The Economist and The Times continued to emphasize the preponderance of agricultural exports and "the continued poorness of the part played by American manufacturers in her total foreign trade."⁵ At the same time, however, these newspapers published information which demonstrated that at least certain American manufactured exports were increasing at an impressive rate. A comparison of American exports for fiscal 1890 and fiscal 1891 showed that cotton goods exports increased by £721,000 and reached a total of £2,721,000. Manufactured petroleum products increased by £298,000, totaling £9,230,000. Iron and steel increased by £674,000, reaching £2,655,000. Leather and copper manufactures also showed sizeable increases.⁶ This growth continued in fiscal 1892. The total value of American manufactured exports was seldom ascertainable, but The Economist was able to gauge the approximate rate of increase by comparing the "all other articles" category (that is, total exports minus the exports of natural products) of official United States figures. From fiscal 1887 to fiscal 1892 this category of American exports grew as follows:⁷

1887	1888	1889	1890	1891	1892
36.3	36.3	39.5	43.9	46.3	47.5

⁵See, among many examples, The Economist, MTS, August, 1892, 4-5; The Times, March 13, 1891, 13; October 1, 1892, 9.

⁶The Economist, MTS, September, 1891, 5.

⁷The Economist, MTS, August, 1892, 4-5.

The question of the character of American exports was chiefly one of emphasis. Robert McCormick, in England to promote the Chicago Exhibition, conceded that more than 80% of American exports consisted of foodstuffs and raw materials, but he considered it more appropriate to call attention to the relative growth of manufactured exports rather than to the preponderance of natural products. He informed the British public that among American exports in 1891 important increases had been made in many manufacturing categories. These included hardware, sewing machines, tools, engines and boilers, glassware, and miscellaneous machines. Most impressive of all, the export of American locomotives increased by £447,524 and reached a total value of £654,965; the export of railway cars increased by £251,437 to a total of £1,055,382.⁸

The Englishman, J. Stephen Jeans, concurred with McCormick. He denied the British assertions, which appeared frequently during the presidential campaign of 1892, that the Americans had seen the folly of "McKinleyism" and were repudiating it. Furthermore, he denied that the American policy of protection had proved a failure. Jeans pointed out that the growth of American exports between 1880 and 1890 represented "a larger increase than has occurred within the same interval on the part of any other country in the world." Agriculture was and would likely remain the staple industry of the United States, he said. But there had occurred "a sensible increase of late

⁸McCormick, Future Trade Relations, 21-22.

years" in manufactured exports. Only 9.6% of America's total exports in 1880 had been of manufactured goods. Of the much larger total exports of 1891 19.3% were manufactures. Despite constantly increasing wages and the passage of the McKinley Tariff, the value of American manufactured exports rose from \$45,500,000 in 1860 to \$79,000,000 in 1880 and to \$169,000,000 in 1891. American industry was clearly something which British manufacturers would have to reckon with.⁹

The American depression of 1893-1894 caused many American manufacturers to seek foreign outlets for their products and in these years manufactures contributed to the continuing expansion of total American exports. This increase of American manufactured exports, coinciding as it did with the sharp decline of British exports to the United States, elicited a number of statements in the British press. The author of a study of foreign competition compiled a list of manufactured items which the United States exported in large quantities: rifles and ammunition, clocks and watches, pianos and organs, locks and safes, joinery work and furniture, agricultural implements, and tools and machinery of all kinds.¹⁰ In a more detailed statement, the values of leading American manufactured exports were pointed out to British readers by Andrew Carnegie. In 1893 the United States exported £6,000,000 worth of iron and steel; for the first time these exports

⁹Jeans, "The American Tariff," 755, 757.

¹⁰Williamson, British Industry and Foreign Competition, 237.

exceeded imports of the same items. Cotton goods exports reached £2,400,000. Exports of agricultural implements were valued at nearly £1,000,000 and Carnegie boasted that "America has now the command of the world for agricultural machinery." Other prominent exports were copper manufactures (£900,000); carriages and cars (£500,000); glassware (£1,600,000); leather and its manufactures (£2,000,000); musical instruments (£360,000); paper (£300,000)--"some English journals are now printed upon American paper," according to Carnegie; clocks and watches (£200,000); and scientific instruments (£260,000).¹¹

Reflecting on this growth of American manufactured exports, Jeans wrote in 1894 that

American agriculture had displaced English agricultural produce many years ago, and threatens to do so more and more. But the British manufacturer has recently been threatened with the same fate. In the iron, cotton, and other leading industries, American inventiveness and enterprise have brought American prices almost down to a European level. The cultivation of foreign markets, hitherto disregarded except for agricultural produce, has now become for American manufacturers a matter of the most pressing concern. Having filled to overflowing their own previously redundant order-books, they are now adjusting their costs so as to meet Britain in the principal markets of the world.

If the depression led to labor strife in the United States, such as Britain had experienced in 1893, then, according to Jeans, "the competition which we dread may still be some way off, but if Britain were to have a monopoly of labour troubles . . . this undesirable and ominous end could not be long

¹¹Carnegie, "Britain and the United States," 324; for similar information on some of these exports, see The Economist, April 28, 1894, 517-18; MTS, August, 1894, 4-5.

delayed."¹²

This theme continued to receive attention in the British press during 1895. "Great Britain is not, and never now can be, the workshop of the world," wrote Edwin Burgis. This title was passing to Britain's rivals. "The success of the protectionist policy of our foreign competitors . . . in building up their manufacturing industries in the face of our competition, to an equality with ourselves, has now deprived us of even the last advantage," that of keeping costs low and finding ready sales in neutral markets. The protectionist nations have also lowered the cost of production, he claimed, and Germany, France and the United States "are in a position to dispute the possession of every market in the world with us, notwithstanding all that has been said in favour of our Free Trade policy." Captain Lugard insisted that the search for new markets for British goods was imperative because of the "commercial rivalry" and the "commercial hostility" among the Great Powers, "more especially on the part of America, Germany, and France, by means of hostile tariffs, State bounties, and protection." An anonymous author, whose long-term fear was of Chinese competition, noted that in his own day Germany, the United States, Belgium, and even Italy "are all beginning to compete with us more or less seriously in some of our own pet markets, and there is every prospect of a growing competition in the future."¹³

¹²Jeans, "The Labour War in the United States," 267.

¹³Burgis, Perils to British Trade, 74, 143-44; Captain F. D. Lugard, "New British Markets (3) Tropical Africa," Nineteenth Century, XXXVIII (September, 1895), 442.

Still, the notion that the tariff prevented the United States from being competitive in world markets did not die. "The competition of America is weakened, if not destroyed, by a protective tariff," one Englishman wrote, though he did predict "that if that tariff be modified or suppressed, and Free-trade be adopted on the other side of the Atlantic, we shall be embarked upon a struggle far more severe than any in the past."¹⁴ More prestigious voices drew even more negative conclusions. Though The Times claimed that "Germany seems to be hopelessly outdistanced and our serious competitor would seem to be the United States," it reiterated American exports consisted chiefly of foodstuffs and raw cotton, which did not compete with British products. And, though the United States was obtaining an increasing share of the European market, that "share is still only 9 per cent. of the total, and they have lost some ground in the various American countries which, a priori, they ought to have kept, and in British possessions."¹⁵ Sir Robert Giffen, Board of Trade official and influential economist, denied, as he had long done and would continue to do, the existence of any real challenge to British industry. He recognized that cotton manufacturing had grown rapidly on the Continent and in the United States so that Lancashire had become "primus inter pares" rather than the commanding leader of the world industry. He recognized further

¹⁴L. R. Phelps, "The Economy of High Wages," Edinburgh, CLXXIX (January, 1894), 59.

¹⁵The Times, leading article, May 4, 1894, 9; for details of American exports to these markets, see Chapters VII and VIII.

that the United States had surpassed Britain in iron and steel production and was on the verge of surpassing her in the production of coal. But, he insisted,

there is nothing in these facts to explain the special apprehensions of the present depression. As yet there has been nothing in foreign competition to prevent great growth and great prosperity at home. . . . On grounds of theory, we believe, there is nothing in the extension of that competition to give us any real cause for apprehension in the future.¹⁶

American exports had sagged in 1895, but by the end of the year prices were reviving and exports were climbing once again. In 1896 American exports reached £201,175,000, an increase of £36,300,000 over 1895. This was the first of a series of export increases and set the stage for the British excitement over American competition in 1897.

In 1896, however, it was the fear of German competition which alarmed many in Britain. E. E. Williams' Made in Germany was only the most flamboyant of the many publications of 1896 which called attention to the German threat and which provoked Salisbury's scornful comment that his contemporaries were "a degraded generation compared with what our fathers were." Lord Rosebery, on the other hand, attempted to make the issue his own and gave a number of speeches on German competition. The Times and The Economist sided with Salisbury, denying that German competition was a serious threat to Britain.¹⁷ Nevertheless, public opinion was sufficiently

¹⁶Sir Robert Giffen, "Depression Corrected," Edinburgh, CLXXXII (July, 1895), 1-11; the quoted passage is from 11.

¹⁷The Times, leading article, September 16, 1896, 7; among the many such statements in The Economist, see especially June 20, 1896, 794; August 1, 1896, 996-97; and October 24, 1896, 1385-86.

aroused that Parliament called for an official investigation. This resulted in the publication in January of 1897 of a report compiled by Sir Robert Giffen and Sir Courtenay Boyle under the auspices of the Board of Trade entitled "Memorandum on the Comparative Statistics of Population, Industry, and Commerce in the United Kingdom and Some Leading Foreign Countries." This report, popularly known as the "Boyle Memorandum," analysed the commerce and industry of Germany, France, and the United States. Its primary focus was on German competition since it was this which led initially to the demand for an investigation, but it contained interesting and significant information about American competition also.¹⁸

The "Boyle Memorandum" acknowledged that Great Britain was facing increasing competition on the part of rival exporting nations. It took the position that changes in relative population must significantly affect trade patterns. Of the foreign nations under consideration, the United States demonstrated the highest rate of growth both in total and in urban population. As for the growth of foreign trade, France occupied the same relative position as an exporting nation in 1891-95 that she had held in 1880-84; Germany had advanced; and the United States had advanced even more rapidly than Germany. However, the "Boyle Memorandum" concluded, "we are still greatly ahead of either country in our power of manu-

¹⁸The following section is based on press reports of the content of the "Boyle Memorandum." The most important of these were the detailed summary which appeared in The Times, January 29, 1897, 12; and January 30, 1897, 12. A summary and selected excerpts appeared in J.B.C. Kershaw, "The Future of British Trade," Fortnightly, LXII n.s. (November, 1897), 732-43.

facture for export, so much so that up to the present the gains of either in this respect have had no very serious effect upon our trade, but beginning from a lower level, each country is for the moment travelling upwards more rapidly than we are who occupy a much higher eminence." In addition, it pointed out, "neither of our rivals exports manufactures to the same extent [as Britain], although Germany has undoubtedly made some gains, and both Germany and the United States have developed the capacity to manufacture not only for their home markets, but to some extent for export also." If England had suffered, and the "Boyle Memorandum" believed that to be a moot point, it was from the consistent price decline of the preceding years, a tendency which affected other nations as well and which had diminished their total export values. The sole exception to this tendency was the United States, whose exports had increased in value by about 10% during the previous sixteen years. But, it was pointed out, this had scarcely affected Britain in a serious way for the increase occurred more in agricultural exports than in articles which were competitive with those produced in England. In summation, the "Boyle Memorandum" maintained that Britain was neither losing ground in her own home market nor being displaced significantly in neutral markets.

It was, generally, a very confident report which the Board of Trade issued at the beginning of 1897. Yet the situation across the Atlantic was changing rapidly and by the end of the year the "Boyle Memorandum" was very much out of

date. American exports were growing at a rate which the American correspondent of The Economist described as "astonishing." American exports for fiscal 1897 exceeded by nearly \$22,000,000 the previous annual high, which had been registered in fiscal 1892.¹⁹ The exports of 1897 were 50% above those of 1887 and manufactures were increasingly to be found among these American exports. As we have seen, by the end of 1897 The Economist was pointing out that American competition in various markets was checking the export of British goods.

The year 1897 was a turning point. After that date the British nervousness about foreign competition was transferred from Germany to the United States, reaching a peak in the alleged "American invasion" shortly after the turn of the century. The principal pre-conditions for this formidable competition were the growth of American industrial capability and the expansion of American exports, which we have already examined, and the prospects of the revival of American shipping and the expansion of the global influence of the United States to which we now turn.

American Shipping

Their greatest protection against American competition, many Englishmen believed, was the woeful condition of the American merchant marine. Free Traders in particular consistently called attention to the disintegration of American

¹⁹The Economist, July 31, 1897, 1103-04.

shipping since the adoption of protection during the Civil War.²⁰ This American weakness was pinpointed by The Times when it commented on the great expansion of American foreign commerce in 1889:

The only drawback from the American point of view is that the exports and imports were mostly carried in foreign ships. Of the total imports of 149 millions sterling, upwards of 117 millions were imported in foreign ships, and of the total exports of 146 millions sterling upwards of 126 millions were shipped in foreign vessels. Of the total commerce of the country, less than 14 per cent. was carried under the American flag; whereas 30 years ago nearly 75 per cent. of the commerce of the United States was transported in national vessels.²¹

Even J. Stephen Jeans, who had proved himself willing to acknowledge American achievements, believed that the utter inadequacy of the American navy was one of the chief reasons why Britain had no reason to despair over the American challenge. "Great Britain," he wrote during the debate over the McKinley Tariff, "does not much care what artificial restriction may be placed on our commerce, so long as we have the command of the ocean-carrying trade." He recited, as The Times often did also, the sorry story of the decline of American shipping. In 1860 American ships had carried not only a large proportion of their own trade, but they had carried 12% of Britain's foreign trade as well; in 1892 American ships carried a mere 0.4% of Britain's trade. Jeans blamed this, as others did, on the tariff and he predicted that so

²⁰Cf. Part I.

²¹The Times, February 5, 1890, 13.

long as protection remained the American policy, Britain had no reason to fear the shipping rivalry of the United States.²² The numerous books and articles of Michael Mulhall invariably referred to the supremacy of the British mercantile marine and frequently offered comparative statistics on American shipping, as in the following example:²³

Maritime Carrying-Power of National Merchant Fleets

	Tonnage		Percentage of World Total	
	1882	1892	1882	1892
Great Britain	19,020,000	27,720,000	54.3	56.6
United States	1,760,000	1,680,000	5.0	3.4

This progressive decay of an indispensable industry continued, so that by 1896 only 8% of America's enormous foreign trade was carried in national ships.²⁴

Despite this obvious decrepitude of American shipping, there were Englishmen who feared the realization of the much-discussed schemes for the revitalization of this American industry. The Times occasionally carried reports of plans "to revive American shipping by means of enormous bounties."²⁵ The British were aware that the United States Secretary of the Treasury had made a public issue of the large fortune

²²Jeans, "The American Tariff," 756-57; see also The Times, May 13, 1892, 5.

²³Michael G. Mulhall, "The Carrying-Trade of the World," Contemporary, LXVI (December, 1894), 812.

²⁴Alexander Maclure, "America as a Power," Nineteenth Century, XXXIX (June, 1896), 907.

²⁵See, for example, The Times, May 13, 1892, 5; and November 16, 1892, 14.

which American passengers and freight paid to foreign shipping interests and that he had recommended governmental subsidies to encourage American shipping.²⁶ They knew also that several measures had been sent to Congress which would provide subsidies to American shipbuilders and lucrative mail contracts for American ship operators. From Philadelphia came word that America was "filled with the idea of placing the American flag upon all parts of the ocean, and sending its ships throughout the world."²⁷

Could the Americans possibly challenge England, which possessed such an overwhelming marine superiority? Some Englishmen feared that they could. The British had once enjoyed a comparable superiority in iron and steel, commented A. N. Cumming, and only recently the President of the British Iron and Steel Institute had conceded American supremacy. What was to prevent this supremacy from being extended to shipping as well? "It is notorious," he wrote, "that a slight modification of the existing Protection would enable America to become most formidable in that branch of competition." The Americans had already demonstrated their technical competence; "the vessels recently built in the States for her Navy possess an average speed higher than anything to be found in the English navy."²⁸

²⁶The Economist, February 14, 1891, 210.

²⁷The Economist, March 14, 1891, 338-39; Jennings, "The Trade League against England," 911.

²⁸Cumming, "America and Protection," 374.

What many in Britain feared was that "McKinleyism" would be used to foster American shipping competition as well as to create new home industries. There were reasonable grounds for such fears. Andrew Carnegie, for example, considered shipping subsidies as integral components of "McKinleyism." In his interpretation of the McKinley Act for British readers, he laid great stress on the encouragement it offered to American shipping. The success of the reciprocity clause, he believed, demanded the encouragement of regular steamship service between the United States and other nations, especially those of South America. The Subsidy Act promoted this by providing handsome payments for carriage of the mail in American-built ships, the rate of payment increasing in proportion to the size and speed of the vessel. Thus the greatest incentives were offered to vessels of the first class. Carnegie admitted that it would be some time before the full effect of this measure could be fairly judged. But he noted that the Inman Steamship Company was preparing to build on the Delaware "two of the largest and swiftest vessels, fit mates to the 'City of Paris' and the 'City of New York,'" which were among the premier ships afloat. These latter vessels, though of foreign registry, were owned principally by Americans and they "may be naturalised and fly the flag of the Republic."

This would create a weekly American line upon the Atlantic, superior to any now existing. Such ships would receive for carrying the mails each round trip nearly five thousand pounds. Making ten trips per annum, this would equal five per cent. upon a million

sterling, a sum much greater than the cost of each ship. It is evident that all parties in this country have determined that an earnest effort shall be made to give the flag its former prominence upon the sea.²⁹

As the figures for 1896, which were noted above, indicated, the various shipping subsidy schemes bore little fruit between 1890 and 1897. During this period, however, there was just enough which was happening or being proposed to keep the British constantly aware of the possibility of American competition on the seas. The chief importance of these years was that the British became sensitive to the issue of an American maritime threat and were thus prone to panic when J. P. Morgan began his "raids" on British shipping in the first years of the new century.

The British were shocked in 1893 when, as Carnegie had predicted, the superior and prestigious 'City of Paris' and 'City of New York' were transferred to American registry as part of the complete takeover of the Inman Line by Americans. The normally confident and sober Economist was moved by the transfer to publish a lengthy analysis entitled "The 'Stars and Stripes' v. the 'Union Jack.'" The transfer was described as

a new departure in the history of transatlantic navigation, which is calculated to induce more satisfactory reflections on the past than confident anticipation for the future. It is not satisfactory to find that a rival Power has become possessed of one of our principal lines of transatlantic steamships, and it is all the less so when that transfer is

²⁹Carnegie, "The McKinley Bill," 1033.

accompanied by circumstances that appear likely to induce rivalry that may in the long run tend to the serious disadvantage of the one country or the other.

The Economist was by no means ready to concede. It provided once more the by now almost ritualistic account of the decline of American shipping since the Civil War. It pointed out that it cost about 50% more to build ships in the United States and nearly 100% more to pay the wages of American seamen. It maintained that it was "difficult to see how England can be much injured by the fact that the Americans are once again about to compete with us in the Atlantic trade." Nevertheless, it concluded, "the experiment will be watched with interest all the same." The danger was twofold. First, since the governmental subsidies favored the swifter vessels, the American lines, by offering very speedy service, could hope to attract a greater portion of the first-class trade and thus to secure the higher income necessary to offset their higher costs. Furthermore, the American cost disadvantage was to be reduced, for the Inman Line planned to use the newly opened port facilities at Southampton. Southampton was closer to London than was Liverpool and its facilities guaranteed fewer port delays. Its use would give American ships an economic advantage. Secondly, whether or not the Americans were ultimately successful, the competition thus established could not but render British shipping somewhat less profitable. The British, therefore, had to take this challenge seriously.³⁰

³⁰The Economist, February 18, 1893, 190-92.

British awareness of American maritime ambition was kept alive in 1894 by the attention devoted to the visit of Captain Alfred Thayer Mahan. When The Influence of Sea Power upon History was published in 1890, reviewers had noted how ironic it was that such a perceptive analysis should come from a naval officer whose country had allowed its maritime strength to deteriorate so badly. But by the time of Mahan's visit to England in 1894, the British were readier to believe that this American weakness would be remedied. A testimonial dinner for Mahan elicited an editorial statement by The Times that Mahan had made the English realize that their sea power, which was based on national fortitude and the predestination of nature, had made them a great nation. "If Captain Mahan is to be trusted," The Times continued, "it is hardly less certain . . . that these conditions must make hereafter for the sea power of the United States." It concluded that, "for good or for evil we have to face the prospect of the growth on the other side of the Atlantic of a seapower not unequal to our own," and that such a change must "vitally affect" the whole civilized world.³¹

The intervention of the United States in the dispute between Great Britain and Venezuela was the occasion for an outpouring of commentary in the British press in late 1895 and 1896. The major issue was the diplomatic one but it had implications for the maritime challenge which did not escape

³¹The Times, leading article, May 25, 1894, 9.

British notice. It was widely recognized in the British press that Secretary of State Olney's extension of the Monroe Doctrine marked the beginning of a new era in international relations. The United States was now taking responsibility for a substantial part of the globe and this new responsibility implied the creation of a navy adequate to such a task.³² The issues of 1896 had to do chiefly with the United States Navy, but any stimulus to the American Navy caused concern in England for it stimulated American shipbuilders and expanded their facilities for producing merchant vessels. That the Americans had not given up hope of a shipping revival was evident in 1897 when the Dingley Tariff was passed. It contained a clause which imposed an additional duty of 10% on all goods imported into the United States in vessels not flying the American flag unless such vessels were registered in a country whose ships had by prior treaty obtained the right to enter American ports on the same basis as American vessels. Since British ships carried such a large proportion of America's foreign trade, there was a brief flurry of excitement in England until the United States Attorney-General ruled that British ships qualified by treaty for exemption from this extra charge.³³

³²These implications of American policy were clearly set forth in Sydney Low, "The Olney Doctrine and America's New Foreign Policy," Nineteenth Century, XL (December, 1896), 850-60. British press reaction is examined in detail in A. E. Campbell, Great Britain and the United States, 1895-1903 (London: Longmans, Green and Co., Ltd., 1960), Chapter 2.

³³The Times, September 1, 1897, 3.

The American maritime challenge did not really become formidable until 1901, but the possibility of an American revival was kept constantly before the British public from 1890 onward. This was so not only because American exports continued to increase and American politicians continued to seek additional governmental assistance for American shipping but also because the United States had begun to establish its influence in distant parts of the world. This expansion of American influence could only enhance the possibility of American economic competition.

The Expansion of American Influence

One direction of the American outward thrust of the 1890s was into the Pacific. Americans had long had substantial interests in Hawaii and The Times recognized that because of these the United States might find involvement in the political upheavals of 1893 unavoidable.³⁴ According to the American correspondent of The Economist, "there is no disguising the fact that public sentiment is distinctly in favour of 'taking in' the mid-Pacific Ocean Kingdom." "We want no Bermuda off our Pacific Coast," is the way he summed up the predominant American opinion.³⁵ This caused no alarm in Britain.

The Times spoke for most Englishmen when it stated that

it is easy to understand the advantages which will accrue to the United States Navy, the development

³⁴The Times, leading article, January 30, 1893, 9.

³⁵The Economist, February 18, 1893, 199-200.

of which is now the object of so much care and expenditure, from the possession of a naval station so advantageously placed. The civilized world, too, has every reason to be contented that the United States should "protect" these beautiful islands.³⁶

The extension of American influence in Hawaii and its ultimate annexation by the United States did not provoke any significant British complaints.

Though the British had important commercial interests in Hawaii, American competition there did not become a major issue. Ironically, what competition there was resulted from the extension of the Canadian transportation system, which many Englishmen hoped would relieve Canada from the American challenge.³⁷ The Canadian Pacific Railway and the Canadian-Australian Steamship Line made American products including manufactures so accessible that many Hawaiian purchasers shunned British goods which were cheaper but which took considerably longer to arrive. In this way sugar machinery was imported from St. Louis and American steam engines began to replace those of British origin.³⁸

Hawaii's real significance was as a stepping stone to Asia. The establishment of American maritime facilities in Hawaii and in Samoa was often linked in the British press to

³⁶The Times, leading article, March 26, 1894, 7.

³⁷See the following chapter.

³⁸The Economist, November 30, 1895, 1561. English interests in Hawaii also complained about strong competition from American soap manufacturers but this soap, which bore imitations of the labels and brand names of prominent American manufacturers, was really made in Japan; ibid.

the prospective completion of a canal across the Central American Isthmus. Though work on the canal was for the most part suspended between 1890 and 1897, it was the subject of occasional articles in the British press and no one doubted that such a waterway would some day be completed.³⁹

The advantages which the canal would provide for American commerce was an important part of Robert McCormick's appeal for British participation in the Chicago Exhibition. In words which echoed the statements of earlier British commentators, he noted that the discovery of the passage by way of the Cape of Good Hope had destroyed the commercial supremacy of the Mediterranean cities; similarly, the Suez Canal had superseded the Cape of Good Hope and had made Great Britain commercially supreme. "How," McCormick asked, "will the opening of the Nicaraguan Canal affect the present channels of trade and the present trade relations, especially the trade relations between Great Britain and the United States?" The implied answer was obvious; McCormick had only to supply the figures. First, the canal would give New York a 2,700 mile advantage over Liverpool in reaching the Pacific ports of the New World, three-fourths of whose trade was controlled by Europeans in 1892. Secondly, the vast populations of Asia and the other Pacific markets, all of which were dominated by Britain, would be brought nearer to New York by distances

³⁹See, for example, E. H. Seymour, "The Present State of the Panama Canal," *Nineteenth Century*, XXXI (February, 1892), 293-311. For pre-1890 British comments on the canal, see Part I.

varying from 2,000 to 10,000 miles. The British journal, Engineering, confirmed McCormick's thesis. Completion of the canal, it stated, would "help to shift centres of trade, and to bring American and foreign ports, where the British merchant flag is now more or less supreme, much closer together."⁴⁰

By the mid-1890s the markets of China had become a cause of diplomatic friction among the European Powers and British observers were aware that, with her growing foreign trade and Pacific influence, the United States had to be taken into consideration. But, until the emergence of the "open door" policy in 1898, there was no unanimity of British opinion as to the significance for Britain of America's expanding role in the Pacific. Some anticipated the "open door" solution, suggesting that nations whose interests in Eastern markets were identical with Britain's should be brought into a coalition. "For this purpose we need look no further than the United States, Japan, and possibly Germany."⁴¹ Others had a greater fear of American than of Russian expansion and encouraged Anglo-Russian cooperation:

The fact that a civilised and organised Power [that is, Russia] confronted the United States upon the Pacific would not, in itself, be a matter of regret; and if, as is not inconceivable, the trade of the United States sought outlets in China, affairs would have to be arranged between the two great Powers concerned.⁴²

⁴⁰McCormick, Future Trade Relations, 20-22; Engineering, quoted ibid., 28.

⁴¹Robert K. Douglas, "The Greater Eastern Question," National, XXVI (December, 1895), 493.

⁴²H. O. Arnold-Forster, "Our True Foreign Policy," Nineteenth Century, XXXIX (February, 1896), 211.

Still others spoke of "the precarious and uncertain condition of our prosperity at present" and insisted that prosperity was dependent on maritime supremacy and the retention and consolidation of the Empire. Unless Britain proved herself capable of forging a strong policy against rival European nations, it was argued, the British Colonies would feel that the imperial connection made them vulnerable in war time and that Britain could no longer protect them. They would detach themselves and "the hegemony of the scattered fractions of our race will then fall naturally and almost inevitably to the United States, and Great Britain proper will be reduced to the level of a third-rate power."⁴³ However, they assessed its role, the British were fully conscious of America's presence in the Pacific by 1897.

Closer to her own borders, America's expansionist tendencies seemed still more pronounced and intensive. As seen by the British, growing American influence in Latin America and in Canada was closely linked to the reciprocity clause of the McKinley Tariff. For this we must turn to an examination of actual American competition.

⁴³"1920," Contemporary, LXVIII (December, 1895), 770-71.

CHAPTER VII

CANADA

Canadians were angered by the passage of the McKinley Tariff for they believed that it was aimed directly at themselves. American politicians had given them ample reason for so believing. The debates of the McKinley Bill in both houses of Congress were full of expressions indicating the belief that passage of the Bill would lead to a closer union with and possibly even the absorption of Canada. These were duly noted in Britain.¹ Even where differences of opinion emerged over the proper use of reciprocity, there was often substantial agreement as to the desired objective. Chauncey Depew, for example, believed that it was by giving the largest possible scope to reciprocity that "the closest commercial relations with Canada" would be achieved. On the other hand, Senator Evarts, though he supported reciprocity generally, wished to see Canada excluded. It was offering reciprocity to others and refusing it to Canada, he thought, which would hasten the day "when the American flag would wave over Canada in the place of the British standard" and Canadian commerce would become American.²

¹See, for example, the speeches of Representatives Butterworth and Richie reported in The Times, January 25, 1890, 5. See also Moreton Frewen, "The National Policy of the United States," 681.

²The Times, November 20, 1890, 3; September 10, 1890, 5.

No one was more incensed than Sir John MacDonald, head of the Canadian government. He charged that Canada's marvelous growth since Confederation had made the United States covetous. At the same time he strenuously denied that the alleged aim of the McKinley Act, to force a merger of the two countries by means of trade policy, would ever be accomplished.³ Many people in England shared MacDonald's view of the McKinley Tariff. If, wrote Lyon Playfair, the object of the McKinley Act was "to force the United States lion and the Canadian lamb to lie down together," as he believed to be the case, "this can only be accomplished by the lamb being inside the lion."⁴ With the McKinley Tariff in operation, wrote Moreton Frewen, the United States had "a very great prize . . . in sight; that prize is Canada."⁵ The Earl of Dunraven claimed that "we are seeing Canada exposed to a gigantic bribe in the shape of reciprocity with the United States, and Newfoundland boiling" because the British Government refused to allow her to come to what she considered favorable terms with the United States.⁶ L. J. Jennings accused Secretary of State Blaine of trying to force Canada and the South American republics into an arrangement under which American products would be

³See his angry speech which was quoted at length in The Times, October 6, 1890, 13; and further, The Economist, October 11, 1890, 1290.

⁴The Times, November 14, 1890, 3.

⁵Frewen, "The National Policy of the United States," 681.

⁶Earl of Dunraven, "Commercial Union within the Empire," Nineteenth Century, XXIX (March, 1891), 511.

imported on exceptionally favorable terms and England "further handicapped in the race for markets."⁷

Such views, however, were far from unanimous. The Economist chided the Canadians for feeling aggrieved by the McKinley Tariff when their own national policy was one of high protection.⁸ Lyon Playfair predicted that "the natural effect of the Act will be to draw together Canada and England." His explanation was the widely accepted notion that trade was essentially barter; that the McKinley Tariff would force Canada to sell more of her goods in England, so that England would naturally sell more to Canada in return. A Free Trade Canada, Playfair claimed, would have no need to fear her mighty neighbor.⁹ Such was also the view of The Economist which said that "it is idle to talk of the McKinley tariff forcing Canada into the arms of the Republic. . . .the probability is that Canadian intercourse with the mother country will be substantially increased by this new Bill, and if it be, then the main action of the new United States Tariff will be to draw the Dominion nearer to us in the future." Given fast ships and the expansion of the Canadian railway system, Britain could in fact expect her Canadian trade to increase.¹⁰

⁷Jennings, "The Trade League against England," 907.

⁸The Economist, February 14, 1891, 199-200.

⁹The Times, November 14, 1890, 3.

¹⁰The Economist, October 11, 1890, 1290.

The Economist found nothing surprising in the fact that Canadian trade with the United States had reached very large proportions:

Canadian Imports (£)		
<u>From</u>	<u>1888</u>	<u>1889</u>
United Kingdom	7,859,744	8,463,478
United States	9,696,369	10,107,488

The common border and easy communication by rail and water meant that this was to be expected. The Economist was content that Great Britain, though thousands of miles away, should remain "a very good second to the United States."¹¹ It was more concerned with the adverse effect of the Canadian than of the American tariff, so far as Canada's future was concerned. As the Canadian tariff was framed, the smaller amount of imports from Britain paid duties of £1,890,100 while the larger amount from the United States paid only £1,474,200. The Economist believed that the United States needed no such advantage and that such a policy was decidedly not in the Canadian interest.¹²

The discussion of the impact of the McKinley Tariff occurred at the height of an election campaign in Canada. The major issue of the campaign was tariff policy and the best response of Canada to the new conditions imposed by the McKinley Act. Wilfrid Laurier, leader of the Liberal opposition, asserted that the "only salvation of Canada was in unrestricted

¹¹ Ibid.

¹² The Economist, February 14, 1891, 199-200. A partial explanation of this discrepancy was that Britain shipped a greater proportion of finished manufactures to Canada than did the United States.

reciprocity with the United States in natural products and manufactured goods."¹³ The Liberal Party demanded the appointment of a commission to negotiate a reciprocity treaty with the United States under the terms of the McKinley Act.¹⁴ Another Liberal declared that with a neighbor such as the United States at her doorstep it was ridiculous to seek markets three thousand miles away.¹⁵ Erastus Wiman, prominent Canadian industrialist and Liberal, was an ardent crusader for the views that Goldwin Smith had been voicing for years, that Canada's natural economic relations were with the United States. "If material progress is the essential standard of success and happiness," he wrote, "then Canada would be enormously benefited by a free relation with the United States."¹⁶ In a speech before the British Iron and Steel Institute at Niagara Falls, Wiman declared that the Canadians required "only the magic touch of freedom and appreciation of the American people to enormously enrich them."

If the Congress of the United States should express a willingness to extend to the north an invitation to reciprocal arrangements similar to that which, in their new tariff, they have extended to southern nationalities, the people of Great Britain must not blame Canada if she accepts this first omen of better relations hereafter to exist between the English-speaking nations that hold this vast continent in common.¹⁷

¹³Quoted in Jennings, "The Trade League against England," 907-08.

¹⁴The Times, December 20, 1890, 5.

¹⁵Quoted in Jennings, "The Trade League against England," 907-08.

¹⁶Wiman, "Canada and the States," 623.

¹⁷Quoted in Jennings, "The Trade League against England," 907-08.

The stick and carrot approach of the McKinley Tariff was obviously receiving serious consideration on the part of Canada. One of the Canadians wrote a letter to The Economist in which he insisted that the Canadian people were wavering on the question and that, if MacDonald "desires to remain in power much longer, he is bound to accept terms from the United States which will be detrimental to ourselves."¹⁸ Even a Quebec newspaper which on most issues backed MacDonald's government favored closer trade relations with the United States: "Trade is what we want," it remarked, "not twaddle about loyalty to the Crown."¹⁹

Across the Atlantic, however, things were seen in a different light. When, during the campaign, the Liberals proposed a new Canadian tariff that would establish free trade between Canada and the United States while retaining the duties on British and foreign goods,²⁰ there were those in England who saw this merely as evidence that the Canadians were not sufficiently self-confident to resist Blaine's crude attempts at bribery. An Englishman ridiculed the notion held by Wiman and many other Canadian Liberals, that the reciprocity possibilities of the McKinley Act should be construed as a sign of proffered American cooperation and friendship.

¹⁸William J. Harris, letter to The Economist, March 28, 1891; for further letters from Harris, see the issues of April 11 and 18, 1891.

¹⁹Quoted in Jennings, "The Trade League against England," 907-08.

²⁰The Economist, February 14, 1891, 199-200.

He reminded Canadians of the verse

It was all very well to dissemble your love,
But why did you kick me down stairs?

and insisted that the McKinley Act had been passed by Americans for American benefit. It seemed likely at one stroke to cut off one-sixth of Canada's total exports. He advised the Canadians that no tariff adjustments would ever provide them with the markets they required to develop their potential. Instead, they should adopt Free Trade and develop commercial relations with the rest of the world, and especially with the other portions of the British Empire. Complementary trade between the rich and rapidly developing British possessions would more than compensate Canada for the loss of her American trade.²¹ The position of The Times was essentially the same. Canada should not attempt to fight a tariff war with the United States, it maintained, but should adopt Free Trade. She was more likely to prosper by looking to the east than to the south, and in the future she could even hope to supplant the United States in the markets of China and Japan.²² Alarmed by certain views expressed during the election campaign, Earl Grey, a former Secretary of State for the Colonies, wrote a book which he dedicated to the people of Canada in the hope that they would adopt Free Trade. This brief work contained no novel arguments but simply contended that the Empire had prospered under Free Trade and that the wisest Canadian

²¹Cumming, "America and Protection," 371-72, 382.

²²The Times, leading article, October 9, 1890, 9; see also the leading articles of August 13, 1890, 7; and October 18, 1890, 9.

reaction to the McKinley Tariff was neither higher Canadian protection nor Canadian-American reciprocity but the establishment of free commercial relations with the rest of the world.²³

The Economist dismissed the campaign argument of the Liberals, that only through reciprocity could Canada avoid a drastic curtailment of trade, and also that of the Conservatives, that reciprocity would lead to political absorption. The real point, according to The Economist, was that reciprocity would mean that "the American manufacturers would be protected against the only effective competition they have to fear; the competition, that is, of British manufacturers." The people of Canada would be doubly burdened for the benefit of the United States. They would not only have to pay increased internal taxes to replace lost customs revenue, but they would also have to pay the higher prices the Americans could charge in a non-competitive market.²⁴

MacDonald's Conservatives won a fairly close election in 1891. However, according to both The Times and The Economist, an analysis of the returns demonstrated clearly that a large majority of Canadians had refused to swallow the American bait.²⁵ The Economist held out the pleasing prospect that

²³Henry George Grey, The Commercial Policy of the British Colonies and the McKinley Tariff (London; New York: Macmillan and Co., 1892).

²⁴The Economist, February 14, 1891, 200-01; virtually the same argument appeared in the issue of February 13, 1892.

²⁵The Times, leading article, February 5, 1891, 9; The Economist, March 14, 1891, 334-35.

Blaine would have to sweeten his proposals if he wished Canada to discuss reciprocity and that, should Cleveland win the election in 1892, the Canadians could look forward to benefiting from the large tariff reductions which the Democrats were promising.²⁶

For many both in Canada and England, however, the dilemma was by no means resolved nor were the prospects so hopeful as The Economist suggested. Not only were there those who asserted that the McKinley Tariff was doing far more harm to Canada than to Britain herself,²⁷ but there was the nagging question for Canadians and British alike: why was Canada growing and prospering so little in comparison with the United States? No one framed the question more strongly than Erastus Wiman, the Canadian industrialist.²⁸ He pointed out that Canada was larger than the United States exclusive of Alaska and that the variety and richness of the Dominion's natural resources equalled or even exceeded those of the United States. What then, he asked rhetorically, were Canada's possibilities? "The measure of development which is possible for the whole continent is that which has actually taken place in the southern portion of it, and which is found in the creation of a commerce, and the development of wealth-giving forces for the good of man, which in the United States have actually taken

²⁶The Economist, March 14, 1891, 334-35.

²⁷Donald, "McKinleyism and the Presidential Election," 493-94.

²⁸The Times, leading article, February 5, 1891, 9.

place."²⁹

Canada, said Wiman, despite possessing the greater part of the continent, British support, stable institutions, large supplies of money, and everything else to make her great,

has had no progress at all comparable with the progress of the United States. . . . Measured by every standard of comparison, the experiment in Canada of self-reliance and self-development is a failure. Beyond all question, the cause of this has been that the freedom of trade, which among the [United States] has built them up, has been denied to Canada. If the Declaration of Independence had taken in the whole continent, the same relative progress would have taken place north of the 45th parallel, the Lakes, and the St. Lawrence that has taken place south of them, and the world would have been enriched to double the extent of the contributions of the United States.

Would Great Britain have suffered had such an event occurred? Far from it.

Great Britain would have been infinitely better off, because while she is receiving twenty-five millions of dollars in interest every year from her possessions in North America, she is receiving two hundred millions of dollars in interest from the revolted colonies that declared their independence of her fiscal interference. . . the United States are, today, one hundred times more important to the commerce of Great Britain than is Canada.

Britain worried that closer commercial relations with the United States would weaken imperial loyalties. They must come to learn that "if the penalty of adherence to British connection be poverty, loss of population, increase of indebtedness, and decline of values, then British connection is imperilled by consequences far more serious than those that would follow the most intimate commercial relation with

²⁹Wiman, "Canada and the States," 620-21.

the United States."³⁰

Obviously Canada could not grow and prosper in economic isolation. Yet the injunction to adopt free trade and to hope for an increase of inter-imperial trade seemed to be wishful thinking, while the policy of even closer commercial ties with the United States was favored only by a minority in Canada and virtually no one in the mother country. In England, however, numerous proposals appeared for realizing Canada's great potential by means of an imperial customs union.

One of those came from Moreton Frewen. He took exception to those in Britain who denied that the McKinley Tariff was a constructive policy. It was, he wrote, only the latest phase of a "national policy," an American system of Free Trade which the United States had adopted long ago. It consisted of "Free Trade within, Protection without." This American system of Free Trade, in combination with the British system of Free Trade which operated to provide America with markets and with population to fill her empty spaces, had made the United States the most prosperous nation in the world. "It has attracted, and still must attract, the greater portion of all the immigration from foreign lands, and having once attracted the settler, it serves no less to keep him."³¹ This latter was a barbed remark addressed to the problem of migration or re-emigration from Canada to the United States,

³⁰ Ibid., 621-23.

³¹ Frewen, "The National Policy of the United States," 674-76.

which was of serious concern to Canadians and British alike at this time.³²

It was, according to Frewen, from the "political laboratory" of the United States that answers for the political problems of the future were coming. It was this "National policy" of the United States--"Solidarity through Federation, State Rights through Home Rule, and Social Progress through the restriction of competition--which will force upon England . . . that National policy which all portions of the British Empire can combine to carry out." Frewen recalled for his readers the statement which John Sherman had made in the United States Senate in 1888: "Within ten years from this time the Dominion of Canada will, in my judgement, be represented either in the Imperial Parliament of Great Britain or in the Congress of the United States." The choice, concluded Frewen, was Britain's but it had to be made soon. "The McKinley Bill may indeed lose us Canada" to the attractions of the American economy. But, if Britain will act quickly and wisely, it will more likely "win over to a wiser and greater Britain, not Canada alone, but also Australasia and South Africa."³³ L. J. Jennings was another admirer of what the Americans had accomplished through their system of a large internal area of commercial freedom protected by tariffs. He was convinced that the "day will come when the English people decide that

³²See, for example, The Economist, August 29, 1891, 1106-07.

³³Frewen, "The National Policy of the United States," 681, 683.

they were right," but by then it might be too late. It was already the eleventh hour, he said. Canada might still respond to a British offer of a common tariff. A few years later no such offer would be possible.³⁴

The British Government had no intention of offering Canada fiscal change of any kind. Left to her own devices, Canada opened negotiations with the United States with a view toward establishing reciprocity under the provisions of the McKinley Act. The discussions did not go well,³⁵ but nevertheless the British were deeply concerned. "It is not pleasant," The Times editorialized, "to contemplate the possibility that, under protective tariffs of increasing stringency, our colonial trade may slip from us and the political allegiance of our colonial fellow-subjects may be gradually broken down."³⁶

In June, 1892, the Congress of Chambers of Commerce of the Empire met in London. The first question raised for discussion was: "Commercial relations of the mother country with her colonies and possessions, with special regard to the renewal of European treaties, and recent commercial legislation in the United States." During the discussion of this question, Sir Charles Tupper, spokesman for the Canadians, proposed that a preferential duty not to exceed 5% be levied by the Imperial

³⁴Jennings, "The Trade League against England," 911-13.

³⁵The Times, February 17, 1892, 5.

³⁶The Times, leading article, April 27, 1892, 9.

and Colonial governments against certain foreign articles "in order to extend the exchange and consumption of the home staple products in every part of the Empire."³⁷ Tupper reminded the delegates "that France and the United States had made marvellous progress under a protective policy." He attempted to win them over to his proposal for imperial preference by damning the McKinley Act, not as a protective measure, but as an enormous "wrong to this country [Great Britain] as well as to Canada." It was part of an American effort, he said, to expand the Monroe Doctrine, "to undermine our national position, and establish one Government from the Equator to the Pole." Tupper further noted the many thousands of British subjects who annually emigrated to the United States, where, in order to become citizens, they had to "renounce forever all allegiance and fidelity to any foreign prince, potentate, state or sovereignty whatever, and particularly to the Queen of England." Had there been in existence such a system of preferential tariffs as he was advocating, Tupper claimed, the largest number of these emigrants would have gone to Canada, to the benefit not only of Canada but of the empire generally.³⁸

Tupper's attempt to arouse feelings of loyalty to the empire against the aggressive designs of the United States was received unsympathetically by a majority of the chambers

³⁷Charles Tupper, "The Question of Preferential Tariffs," Fortnightly, LII n.s. (August, 1892), 139-40.

³⁸Ibid., 141-43.

represented at the Congress.³⁹ Canada was nearly alone in being vitally concerned with increasing inter-colonial trade. Whereas the largest portion of the trade of the other parts of the Empire was already imperial, only forty-seven percent of Canadian trade was imperial; most of the remainder was with the United States. To many delegates at the Congress, Tupper's proposal seemed to be a request for them to tax themselves for the benefit of Canada. For this reason The Economist predicted the failure of the Tupper proposal.⁴⁰ When the vote came, it was defeated fifty-five chambers against thirty-three.⁴¹ Even The Times, though it too was concerned that the McKinley Tariff had been designed to alienate Canadian trade and loyalty from Britain, and though it hailed the Canadian proposal as "a most encouraging sign of loyalty and good will," had to warn the Canadians that "we could not for a moment think of establishing a differential tariff for the advantage of the Canadians alone."⁴²

Thus rebuffed, the Canadians had to learn to live with the situation brought about by the McKinley Tariff. She continued, as The Times and others had encouraged her to do, to work on a program of economic expansion which would lead to

³⁹Though Englishmen such as Frewen and Jennings, and the Fair Traders generally, were enthusiastic supporters of a policy such as the one proposed by Tupper, the Chambers of Commerce, and especially those in Britain, tended to be strongholds of Free Trade.

⁴⁰The Economist, July 2, 1892, 852-53.

⁴¹Tupper, "The Question of Preferential Tariffs," 143.

⁴²The Times, leading article, April 27, 1892, 9.

increased imperial and other global trade relations. Canada spanned the continent with a railroad to connect her with Australia and Asia. She established steamship service in the Atlantic and Pacific and planned for a large mercantile marine, the object of which could only be non-American trade. Furthermore, the Canadian Parliament took up the discussion of a system of tariff reductions which would be more favorable to British than to American trade.⁴³

In the meantime, however, the Canadian aspect of the American challenge continued. Despite all the talk, all the proposals, and the various attempts of the Canadian government, the facts remained: the United States had grown considerably faster in population, in wealth, in industry and commerce than Britain's North American Dominion; and, while Britain was anxious about the growth of her foreign trade, the Americans were increasingly outstripping them in the Canadian market.

As The Economist had predicted, the effect of the McKinley Tariff was to increase Anglo-Canadian trade. But the increase occurred almost exclusively in Canadian exports to England. British exports to Canada remained virtually stationary, while those of the United States continued to rise:⁴⁴

Canadian Imports, Fiscal Year Ending June 30			
From	<u>1890</u>	<u>1893</u>	<u>1896</u>
Great Britain	8,678,000	8,630,000	6,595,948
United States	10,448,000	11,644,000	11,714,804

⁴³The Times, leading article, March 28, 1894, 7.

⁴⁴The Economist, April 7, 1894, 422-23.

Percentage of Total Canadian Imports Supplied ⁴⁵				
By	1868-72	1878-82	1888-92	1895-96
Great Britain	55.46	44.03	37.51	27.94
United States	35.08	46.18	46.46	49.63

No doubt the British exports continued to include a larger proportion of manufactured goods, but there was no doubt either that American competition in the Canadian market was real. The depression of 1893 had caught American textile manufacturers at full capacity operation. Despite drastic price cuts, there still were no buyers to be found in the American market. Subsequently there were widespread Canadian and British complaints "of the invasion of the Canadian market by American cottons at cut prices."⁴⁶

In 1887 Sir Charles Tupper had begun an ambitious program to foster the Canadian iron and steel industry by enacting heavy duties on imports and paying bounties to Canadian producers.⁴⁷ In 1890 the Canadian demand for foreign iron and steel was still great and The Economist predicted that, as a result of the McKinley Tariff, Britain could expect to replace the United States as Canada's major source of supply.⁴⁸ But neither the Canadian dream of self-sufficiency nor the British

⁴⁵The Economist, September 1, 1894, 1072; for the last set of figures November 28, 1896, 1571. Such figures appeared in many other places as well; see, for example, Michael G. Mulhall, "The Trade of the British Colonies," Contemporary, LXXII (November, 1897), 702-03.

⁴⁶The Economist, June 16, 1894, 737-38.

⁴⁷The Economist, July 24, 1897, 1058.

⁴⁸See Part I.

hope of ousting the American supply was realized. In 1896 British exports of iron and steel to Canada amounted to \$3,150,000 and those of the United States \$6,450,000. The Canadian system of protecting and subsidizing the domestic iron industry had actually served to give foreign manufacturers an advantage. The Canadian industry, located in Nova Scotia, could not economically ship its product to manufacturing centers in Toronto and elsewhere. Thus, Canadian agricultural implement makers, for example, had to pay more for their raw material either through very high transport costs for Canadian iron or through the duty imposed on imported iron. Neither the Canadian iron industry nor Canadian manufacturers who required iron or steel as raw material were in a position to withstand American competition.⁴⁹

In addition to subsidizing her iron and steel industry, Canada had also subsidized the petroleum industry for many years and at great cost, on the grounds that it "would succumb at once if exposed to free American competition." In 1897 Standard Oil was preparing to disrupt the Canadian industry just as it had for many years prior to this been disrupting the Scotch oil industry. Standard Oil was planning to establish a refinery in Canada and, according to the Canadian correspondent of The Economist, it "will make short work of the Canadian refineries, which," he complained, "might as well have been killed by free-trade in oil as by the competition

⁴⁹The Economist, July 24, 1897, 1058.

within Canada of that vast monopoly."⁵⁰

By 1897 there was widespread discontent with Canada's economic system among all parties and on both sides of the Atlantic. American goods continued to pour into Canada to the detriment of Canadian and British manufacturers. The invasion of Canada by Standard Oil dramatically symbolized the increasing hold on Canadian industries by Americans. The population of the United States continued to increase at an amazing rate which made the growth of Canadian population seem meager by comparison. The Canadian census of 1891 showed an increase of less than 12% whereas in the previous decade (1871-1881) the population had doubled. The Economist thought it very evident that there had been a consistent and serious leakage of Canadians into the United States.⁵¹ This trend continued throughout the 1890s. "To the counterattractions of the United States cheap living is the great advantage Canada could offer," The Economist believed, but since her unwise protective policies denied that to her people "she need not be surprised that, owing to a constant leakage over the United States border, her population grows with such slowness."⁵²

The Economist maintained a critical attitude toward the Canadian tariff throughout the 1890s. In a lengthy assessment

⁵⁰Ibid. For the competition between Standard Oil and the Scotch oil industry, see Chapter IX.

⁵¹The Economist, August 29, 1891, 1106-07.

⁵²The Economist, September 1, 1894, 1072.

offered by its local correspondent in 1895, The Economist pointed out that the Canadian tariff had been adopted in 1879 to force the United States to open its markets to Canadian products, to improve the balance of trade, to stimulate manufacturing, and to stop the exodus of British subjects to the United States. It had accomplished not a single one of these objectives, the correspondent concluded. The United States was even more the nemesis in 1895 than it had been in 1879. The tariff had raised the cost of living in Canada, had led to inefficiency and the formation of trusts, and had produced no solid growth.⁵³ Moreover, the Canadian tariff actually discriminated against Britain, The Economist charged. It allowed many American semi-manufactures to enter free of duty as raw materials for Canadian industry. British manufacturers had to pay heavy duties to get their goods into Canada and, once there, these goods had to compete with articles which were half the product of Canadian and half the product of American industry.⁵⁴ British prospects in Canada were grim in 1897. "It is evident," The Times admitted, "that Canada purchases most of her manufactured goods from the United States."⁵⁵ And Sir Wilfrid Laurier, who only recently had been elected Canadian premier, said in a speech at Montreal that the United States had virtually captured Canadian trade.⁵⁶

⁵³The Economist, July 20, 1895, 943-45.

⁵⁴The Economist, December 12, 1896, 1642.

⁵⁵The Times, May 15, 1897, 5.

⁵⁶Reported in Mulhall, "The Trade of the British Colonies," 702.

Laurier's Liberal Party had consistently favored closer commercial relations with the United States. Once elected, his first act was to send representatives to Washington to negotiate for the free exchange of a long list of items. But, "owing in part to a belief, which Mr. Blaine did something to create, that Canada can be starved into annexation, Congress refused to let down the bars." According to The Economist, the Republican response to this Laurier initiative was the Dingley Tariff.⁵⁷ Faced with such new and strong evidence of American commercial hostility, the Liberal Government decided to offer tariff reciprocity to all well-disposed nations. In a further about-face, the Liberals granted immediate trade preference to Britain. British imports were given a 12.5% reduction of duties to June 30, 1898 and thereafter a 25% reduction.⁵⁸

In most quarters there was a sensible respect for the limitations of such a policy insofar as any major change in the relative positions of Britain and the United States was concerned. Mulhall, for example, warned that any hope for large increases of British exports were "doomed to disappointment." America's manufacturing ability, added to its geographic proximity, meant that the trade between these neighbors "must go on increasing in strength and volume year after year."⁵⁹ The Canadian correspondent of The Economist believed

⁵⁷The Economist, July 24, 1897, 1059.

⁵⁸The Economist, May 1, 1897, 635-36.

⁵⁹Mulhall, "The Trade of the British Colonies," 703.

that the new system would prove to be of little advantage to Britain's basic industries. He chose not even to mention the possibility of increased British textile shipments but rather the necessity for the Americans and Germans to cut their prices if they wished to keep the trade. As for iron and steel he offered no hope at all:

It is not likely that the reduction of one-fourth of the duties in favour of iron and steel from the United Kingdom will have the effect of transferring much trade from American to British manufacturers. The former are selling as cheap as any of their competitors. This spring the Canadian Pacific bought from the Carnegie Company 65,000 tons of steel rails for its new road through the Crow's Nest Pass at a price lower than the lowest ever paid to British makers. The United States, indeed, has been cutting out England in this market in almost the entire range of iron and steel goods.⁶⁰

Yet, as Mulhall pointed out, many British manufacturers and merchants did in fact expect a sizeable increase of British exports to Canada.⁶¹ The Canadian correspondent of The Economist anticipated considerable growth in Canadian demand for a wide range of British products.⁶² "The immediate point" of the new tariff policy claimed The Times, "is that Canada has decided to shift her main market from the United States to the United Kingdom."⁶³

There was, then, in 1897, some hope expressed both in Great Britain and in Canada that the American takeover of the

⁶⁰The Economist, July 24, 1897, 1059.

⁶¹Mulhall, "The Trade of the British Colonies," 703.

⁶²The Economist, July 24, 1897, 1059.

⁶³The Times, leading article, April 26, 1897, 9.

Canadian market might be at least halted if it could not be checked altogether. Time was to prove even these limited hopes false.

CHAPTER VIII

RECIPROCITY AND AMERICAN COMPETITION IN LATIN AMERICA

The Americans were looking to the south as well as to the north in 1890. If growing American influence in Canada --the virtual "Americanization" of the Dominion some would have said--attracted attention in the British press, so did American attempts to gain footholds in the markets of Central and South America and of the Caribbean. The two movements were in fact related. Both Canada and Latin America were affected, though in different ways, by the American reciprocity policy. Both were, therefore, elements of that "McKinleyism" which the British saw as driving them out of certain sectors of the American market, disrupting key British industries, and perhaps posing a threat to British maritime supremacy. Particularly in the two years following the passage of the McKinley Act, American commercial forays into Latin America competed for British attention with the other elements of "McKinleyism." By 1893 British fears of the effects of American reciprocity had diminished considerably--though the case of the British West Indies was an important exception. Yet what reciprocity could not accomplish American industrial growth often could. In a number of their traditional Latin American markets the British faced increasing American competition between 1890 and 1897.

In their 1892 campaign in England, both Henry Trueman Wood and Robert McCormick emphasized that the cultivation of Latin American markets for American manufacturers was one of the principal objectives of the Chicago Exhibition. Though McCormick also stressed that the completion of an Isthmian canal would encourage American trade with Central America and give New York a great advantage over Liverpool in reaching the Pacific ports of Latin America, he could point to present as well as prospective competition. American manufacturers, he noted, "encouraged and aided by the opportunities afforded them by the Treaties of Reciprocity," were already entering South America in significant quantities and English and German importers in Brazil were sending to the United States for their merchandise since a reciprocity treaty had been signed between the United States and Brazil.¹ It was this reminder of the reciprocity clause of the McKinley Act which had prompted the British journal, Engineering, to repeat its assertion that "the United States Government is making a carefully organized attack upon our South American trade."² But the strongest statement in the British press on American reciprocity came from another visitor to England in 1892. Sir Charles Tupper, who presented the Canadian proposal for preferential tariffs within the Empire, which itself was chiefly a reaction to "McKinleyism," gave British readers

¹ McCormick, Future Trade Relations, 22.

² Quoted ibid., 28.

this picture of the Americans:

Like a great octopus they threw their tentacles over South America, the Antilles, and the West Indian Islands, with the intention of driving out British trade. And they are going to do it. Read the language of the British Consul in Brazil. What does he say? He tells the people of Great Britain, "You must make up your mind to lose the British trade in Brazil, because the United States has absorbed it under the reciprocity clause of the McKinley Bill."³

Though it was the reciprocity feature of the McKinley Act which motivated much of the British interest in the fate of their Latin American markets in the early 1890s, readers of the British press were well aware that the American search for Latin American markets had begun well before that Act had been passed. The Southern hemisphere of the New World was a focal point of the policies of Secretary of State James G. Blaine. "It becomes us," The Times quoted Blaine as saying in 1890, "to use every opportunity to extend our market on both American Continents. Our field for commercial development lies in the South."⁴ Long before the McKinley Bill was passed, the Pan-American Congress, held in the United States in 1890, was dramatizing Blaine's and America's interest in the southern continent. The Pan-American Congress proposed a number of policies whose effect would be closer economic relations among the nations of the Americas. The Congress recommended, and according to The Times the United States would support, a plan calling for the coinage of a common

³Tupper, "The Question of Preferential Tariffs," 141.

⁴The Times, July 15, 1890, 5.

silver dollar to be used as legal tender among all the American nations. A related plan would have the United States issue certificates of deposit on bullion sent to the United States by the peoples of Central and South America.⁵ President Harrison sent to Congress Blaine's request for funds to pay the United States' share of the engineering survey for an international railway system to link together all parts of North and South America. The Senate Commerce Committee reported favorably on a bill providing more than \$6,000,000 for the construction of a deep-water port at Galveston, Texas, to facilitate trade with the southern hemisphere.⁶ Such activities as these, when coupled with the reciprocity policy, were sufficient to arouse considerable anxiety in England.

Blaine had authorized the United States delegates to introduce a discussion of reciprocity at the Pan-American Congress. The Congress responded by adopting a report which favored such treaties among all the American Republics.⁷ During the acrimonious debates in Congress over the McKinley Bill, the American correspondent of The Economist had reported that the strong protectionists, who disliked reciprocity, might eventually include a reciprocity clause in the Bill as

⁵The Times, March 4, 1890, 5.

⁶The Times, May 21, 1890, 5; February 19, 1890, 5.

⁷The Times, March 29, 1890, 5; April 12, 1890, 7. Not all the Latin American nations were enthusiastic supporters of the work of the Congress; there was substantial anti-Blaine feeling in Latin America. Argentina, Chile, and Paraguay cast negative votes on the reciprocity report; ibid.; see also July 15, 1890, 8.

a sop to Blaine and other moderates but that it would be a sop which the protectionist majority had no intentions of implementing.⁸ Once the McKinley Act was law, however, it soon became clear that the reciprocity clause was not going to be a dead letter. In February, 1891, the United States signed a reciprocity treaty with Brazil, one of Britain's more important Latin American customers. Similar negotiations were soon under way with Spain (on behalf of Cuba and Puerto Rico), the British West Indies, and several of the Latin American nations.

By the terms of the United States-Brazilian treaty, the Americans could send into Brazil, duty-free, not only a variety of foodstuffs and other natural products but also articles competitive with British exports: coal, farm implements, tools, machinery, and railway equipment. Many other items entered Brazil at a 25% reduction of duty.⁹ No sooner had the treaty been signed than three American steamers left for Brazil with exhibits of American goods. By 1892 the Brazilian Steamship Company, which formerly had scheduled only three ships a month between Brazil and the United States, was sending fourteen and McCormick was claiming that English and German importers now received their merchandise from the United States.¹⁰ A letter to The Times complained about

⁸The Economist, October 4, 1890, 1264.

⁹The text of the treaty appeared in The Times, February 7, 1891, 5; see also the issue of February 12, 1891, 5.

¹⁰The Times, February 18, 1891, 5; McCormick, Future Trade Relations, 22.

"the exceptional favour shown to the United States in this matter to the detriment of England, the principal creditor of Brazil," and expressed surprise and dismay that there had not been a great outburst of public indignation in England.¹¹

The letter was premature. Soon the British press was full of commentary on the treaty and speculations regarding the negotiations currently taking place. Andrew Carnegie warned British readers that all Europe would become concerned over the reciprocity provision of the McKinley Act and with good reason. "Hereafter," he wrote, "the American farmer has a better market in Brazil for his grain, and the American manufacturer has a new market for his products, his foreign competitor being subject to duties upon similar articles twenty-five per cent. higher than he." The treaty with Brazil, Carnegie continued, was only the beginning. The President had publicly stated "that others are to follow, and . . . the products of the United States . . . are to find free or favored access to the ports of many of these South and Central American States." Carnegie offered British readers the example of Cuba. No sooner had the McKinley Act been passed than she was clamoring for reciprocity with the United States. "Cuba," he insisted, "will hereafter be of as little good to Spain as Canada is to Britain."¹²

¹¹"Amigo De Brazil," letter to The Times, February 25, 1891, 4.

¹²Carnegie, "The McKinley Bill," 1030-31.

The Spectator, which denied also that the Canadians would show any interest in reciprocity, had been so bold as to claim that "Mr. Blaine's South American policy, which aimed at securing the whole trade of the Southern Continent by the differential duties authorised in the Tariff Act, has gone to the winds." It thus set itself up for attack by L. J. Jennings, who made a career of contesting those who minimized the American threat. As Jennings pointed out, no sooner had the Spectator forecast the failure of reciprocity than there came the announcement that Brazil had signed a treaty with the United States. The truth, according to Jennings, was that

The United States are making persistent efforts to form a new commercial federation in their own favour, to embrace the whole of the continent on which their destinies have been cast. . . . They have it within their power to offer very great advantages to the South American Republics and to Canada to induce them to enter into an arrangement by which the productions of the United States shall be taken upon exceptional terms, and England, among other powers, be further handicapped in the race. The South American Republics will in due season enter into this arrangement, and we shall find our trade with Brazil, Peru, Honduras, the Argentine Republic, and other countries greatly reduced.

There was more involved even than the loss of American trade, Jennings warned; there was the danger that British colonies would "drift off into commercial unions with other nations."¹³

The Economist described the treaty as "important not only in itself, but also as an example of the methods by which Secretary Blaine is endeavouring to secure to the United

¹³Jennings, "The Trade League against England," 904, 907, 901.

States a predominant trade position in Mexico and the South American Republics." First, it pointed out, the tariff reductions which the United States received helped to offset the American disadvantage of high-cost production under a protective system. Secondly, Blaine was challenging Britain's chief advantages, financial and shipping supremacy, by creating an international bank of the American Republics and by subsidizing steamship service. Though The Economist was rather sceptical of the success of the reciprocity scheme, it conceded that it should "be watched with much interest, not only as affecting our trade with Brazil, but also as an experiment" which Blaine intended to extend to the other American states at the earliest opportunity.¹⁴ In a pair of letters to The Economist, a protectionist pointed out still another danger. "We are about to see the custom of one of our most important colonial possessions [Canada] transferred" to the United States unless Britain takes special steps to prevent it and the West Indies and the South American Republics will be offered proposals such as the one which Brazil already accepted. But the most serious disadvantage for Britain is that the American policy of reciprocity "means that we are to be deprived for the future of all chance of obtaining 'most favoured nation treatment' in the markets of the world."¹⁵

This last statement was not quite correct. One of the

¹⁴The Economist, MTS, March, 1891, 4.

¹⁵William J. Harris, letters to The Economist, March 28, 1891, 409-10; April 18, 1891, 503-04.

factors which kept the British from panicking in the face of American reciprocity was the fact that Britain already had a most favored nation treaty with every state of the South American continent except Brazil. Every concession which Blaine obtained for American products in these countries would be shared by the British. Thus when Spain signed a reciprocity treaty with the United States under which certain American goods entered Cuba and Puerto Rico at preferential rates, British goods were automatically granted identical reductions.¹⁶ Two factors, however, marred this otherwise favorable situation for Britain. The first was that Britain's commercial treaty with Spain was due to expire in mid-1892. There was concern that Spanish efforts to retain favorable trade relations between her Caribbean possessions and the United States might be an obstacle to Britain's retention of most-favored-nation-treatment in the Spanish West Indies. In 1891 The Economist began urging interested British merchants and manufacturers to let the British Government know that they were keenly interested in renewing the existing treaty with Spain intact.¹⁷

The second factor was that American reciprocal trade relations with such producers of tropical products as Cuba, Puerto Rico, and Brazil put the British West Indies at a disastrous disadvantage, for the United States had been by

¹⁶The Economist, MTS, March, 1891, 4; The Times, April 18, 1891, 7; September 9, 1891, 7; The Economist, September 19, 1891, 1202-03.

¹⁷The Economist, September 19, 1891, 1202-03.

far their most important customer. As The Times pointed out, once the United States gave preference to sugar from other areas, "the West Indian planters are manifestly given a strong reason for the acceptance of close trading relations with the States."¹⁸ There was considerable agitation in the British West Indies for reciprocity with the United States, even though Canada also was considering a reciprocal arrangement with the Indies. The Economist advised the West Indians to come to terms with Canada, for "it will serve no good purpose to encourage expectations of reciprocal trade arrangements of an exclusive character between the British West India Colonies and the United States." Such an arrangement was most undesirable from the British point of view since it "would make the economic and fiscal systems of these colonies dependent upon that of the United States . . . a condition of dependence of this nature would not be for the general and ultimate welfare of the colonies."¹⁹ West Indian planters spurned this advice and put considerable pressure on the British Government to negotiate with Washington. A treaty was worked out in 1892 but it never received the final approval of the British Government and was not implemented.²⁰ The plight of the British West Indies grew continually worse. By 1897, as we will see later, this British possession was in very dire straits.

¹⁸The Times, leading article, January 2, 1891, 7.

¹⁹The Economist, MTS, July, 1891, 4.

²⁰The Times, February 2, 1892, 6.

Like the McKinley Act of which it was a part, the reciprocity clause provoked considerable discussion during the months after it became operative. By 1892, however, there was evidence that it was not the boon to American trade it was expected to be. Early in the year Sir Michael Hicks-Beach told the Association of Chambers of Commerce that, though some success had attended the American reciprocity treaty with Brazil, Britain shared in the gains obtained by the United States elsewhere. Furthermore, the value of the concessions which the United States could make diminished with each treaty that was signed. "It is hardly likely, therefore," he said, "that the new tariff policy of the States will have any marked effect upon our trade, and, indeed, any beating down of tariff barriers to which it may lead is more likely to be a gain than a loss to us."²¹ Reciprocity policy comprised the bulk of the annual report for 1892 of the United States Secretary of the Treasury, which The Economist analysed for its readers. American exports to countries which had signed reciprocity treaties did increase, from £18,367,000 in 1891 to £22,521,000 in 1892. But it was the increase of American imports from these same nations (from £52,929,000 to £69,788,000) which The Economist considered most significant. The increases were largely in commodities which the United States did not produce and which would have been imported under any circumstances, it maintained. "In effect,

²¹The Economist, MTS, March, 1892, 5.

then, [Secretary] Foster maintains that Brazil and Cuba have gained nothing by the treaties, and have been beguiled into making tariff concessions to the States, for which they obtain no return."²²

A number of Latin American governments apparently shared The Economist's view of reciprocity. The British Consul reported that the Ecuadorian Government, after consultation with the Guayaquil Chamber of Commerce, was "decidedly adverse" to reciprocity with the United States on the grounds that benefits would be slight while concessions to the United States would too greatly reduce governmental customs revenue. Venezuela rejected reciprocity for the same reasons. Even Brazil quickly became dissatisfied. The American-Spanish treaty had made Spanish colonial sugar competitive with Brazilian sugar in the United States. Industrialists and importers were also unhappy and Brazil sought to renegotiate its treaty in 1893.²³ From 1893 onward, the British press ignored American reciprocity for the most part. The relations of the United States with Latin America received editorial attention only when an international crisis occurred, as was the case when the Anglo-Venezuelan controversy provoked American intervention and the Olney Doctrine. On such occasions the British press did not make much of the economic issues involved, though the observation of a Chilean newspaper is

²²The Economist, December 24, 1892, 1607-08.

²³The Economist, MTS, April, 1892, 10; The Times, July 21, 1891, 5; The Economist, MTS, January, 1893, 9.

pertinent here. During the Venezuelan crisis it warned Latin American nations that they would gain nothing by throwing themselves into the arms of the United States, for they would simply become "new centres of exploitation for the great country whose diplomacy is merely an auxiliary of its mercantile enterprises."²⁴

Whatever the success of the American reciprocity policy, it was clear to those who followed the consular and other trade reports which appeared in the British press, particularly in The Economist, that the Americans were in fact increasing their manufactured exports to Latin America during the 1890s.²⁵ In the Brazilian market much of this new competition was rightfully attributed to reciprocity. The treaty of 1891 admitted into Brazil, free of duty, a long list of manufactures, the most important of which were: agricultural tools, implements, and machinery; mining and mechanical tools, implements, machinery, and engines; all machinery for manufacturing and industrial purposes except sewing machines; and railway equipment and construction material. Other manufactures were admitted with a 25% reduction of duty including: cotton goods; iron and steel products not on the free list;

²⁴The Valparaiso Chileno, quoted in The Times, January 28, 1896, 10.

²⁵Statements to the contrary, though rare, occasionally appeared. During the Venezuelan crisis one writer insisted that the United States was losing Latin American trade because of shortsighted business methods--a criticism more frequently applied to the British--and lack of shipping; H. Somers Somerset, "Great Britain, Venezuela, and the United States," Nineteenth Century, XXXVIII (December, 1895), 768.

leather manufactures except boots and shoes; and all wood and rubber manufactures.²⁶ The Rio News confidently remarked that a 25% reduction of duty just about equalised the cost of British and American goods in Brazil. "Mr. Blaine," it said, "will have to conjure up something beside a reduction of 25 per cent. on duties before he can turn the tide of importation in South America from England to the United States."²⁷ The response in England was much less optimistic. The danger to British trade with Brazil was discussed in the House of Commons. The Manchester Chamber of Commerce believed the treaty would be particularly detrimental to Manchester industries and requested that the Prime Minister, Lord Salisbury, receive a deputation to discuss the matter.²⁸

This British concern was understandable. Between 1888 and 1890 the United States supplied only about 9% of Brazil's imports. Britain supplied more than 50%. In 1889 British exports to Brazil were valued at £6,232,000 and it was estimated that two-thirds of that would face American competition as a result of the reciprocity treaty. In 1889 Britain sent £1,182,500 worth of coal, machinery, tools, and implements to Brazil, where they then paid a duty ranging from 5% to 48%. The United States obtained in 1891 the right to send competing goods duty-free. In 1889 Britain sent £3,514,900 worth of

²⁶The Economist, February 21, 1891, 243.

²⁷Quoted in The Economist, March 7, 1891, 307. Since the Rio newspaper bore an English title, it is possible that it represented the interests of the English mercantile class in that city.

²⁸Ibid.

cotton goods, iron and steel manufactures, and rubber and leather products (except boots and shoes); these paid duties ranging from 15% to 50%. The United States could export competing goods at a 25% reduction of duty.²⁹ At least a few American industries quickly reaped the benefits of the treaty. In 1891 Brazil was one of the major purchasers of American locomotives, buying £367,557 worth.³⁰ In 1894 a British consul in Brazil pointed out that one of the most significant results of the treaty was that "American shirtings, sheetings, and plain cotton goods are gradually supplanting, to some extent, similar articles of British manufacture, owing to the difference in duty." In finer quality goods, though, the British were holding their own.³¹

Argentina was another major British market. In 1890, the last year of the Argentine "boom," the United Kingdom was Argentina's leading source of imports, sending \$ (Gold) 61,217,504 worth. The United States ranked fifth, sending \$ (Gold) 9,307,315 worth. In the latter part of 1890 occurred the financial crisis which led to the Baring collapse and drastically curtailed Argentine imports for a number of years. This, however, did not prevent the United States from gaining

²⁹The Economist, MTS, March, 1891, 4.

³⁰McCormick, Future Trade Relations, 22.

³¹The Economist, MTS, August, 1894, 7. Surprisingly, after 1891 The Economist failed to publish comparative figures for Brazilian imports as it did for those of many other countries. Brazilian imports of American hardware increased also, but not as rapidly as those from England and Germany; The Economist, MTS, January, 1893, 9.

on Britain as an Argentine supplier. In 1890 American shipments were between one-sixth and one-seventh of the value of British shipments; in 1891 the proportion slipped to less than one-eighth. By 1896 the American position had been considerably improved. In that year Argentine imports from the United Kingdom were valued at \$ (Gold) 44,730,000 and those from the United States at \$ (Gold) 11,210,000.³²

The only other reported American competition in South America occurred in Colombia. Between 1888 and 1890 British exports to Colombia exceeded American by a margin of about four to one. The British were far ahead of the United States in supplying many of the items in which the United States could compete, but the figures for 1891 showed that the Americans had a commanding lead in shipments of coal (978.2 tons to Britain's 6.5) and of glassware (53.8 tons to Britain's 3.3).³³

In the Caribbean the British also faced increasingly serious American competition. The reciprocity treaty between Santo Domingo and the United States conferred such advantages on American products, according to the British Vice-Consul in 1892, "that a serious prejudice is expected to be derived by British and other foreign trade, which is deprived of the same advantages." Though Britain had the right to most-favored-nation treatment, the Dominican Government had not made any

³²The Economist, MTS, March, 1891, 7; May 13, 1893, 569-70; April 3, 1897, 487-89.

³³The Economist, MTS, January, 1892, 9-10; MTS, March, 1893, 7.

of the new concessions available to Britain. As a result, the British official said, British trade was suffering and

the introduction of several articles which were solely imported from British markets, such as galvanised iron and hardware, hav[e] come to a standstill. It would be too extensive to mention all the articles of British manufacture which cannot compete with American merchandise on account of the privileges which are enjoyed by the latter.³⁴

In 1893 the British Consul-General of Hayti reported that during the preceding few years the United States had "to an important degree" replaced Britain as the supplier of certain classes of dry goods. The American articles, he said, were preferred for their softer finish and more lasting colors. Despite the fact that British merchants granted more lenient credit terms than their American rivals, the importation of American goods had been increasing greatly for several years.³⁵

Between 1886 and 1892 Britain had enjoyed most-favored-nation status in all the Spanish colonies and had successfully competed with the United States in Cuba and Puerto Rico. But then, not long after Spain had accepted reciprocity with the United States for her West Indian possessions, she had denounced her commercial treaty with Britain and proposed a new one. Under its terms, The Economist complained, England would "have to abandon all hope of being placed on the same footing as the United States in Cuba and Puerto Rico." By

³⁴The Economist, MTS, May, 1892, 9.

³⁵The Economist, MTS, July, 1893, 7.

1893 The Times could declare that "the effect of the [reciprocity] treaty has been to throw the entire Cuban trade into the hands of the United States merchants, with whom the importers of goods from less-favoured nations cannot compete." It was universally believed "that the treaty gives the United States the command of the machinery and metal imports of Cuba" and stimulated the American export of all items enumerated in the treaty. The European trade with Cuba in these items, it said, "is fast disappearing."³⁶

As in the case of South America and the Caribbean, information in the British press regarding American competition in Central America was scattered and fragmentary and most apparent in the early 1890s. In 1892 the British Government issued a series of Consular Reports on the decline of British trade with Central America. In Guatemala British sales remained level while imports from America, Germany, and France were increasing. This "successful competition" was ascribed in part to the saleability of inferior goods at lower prices; but it was also noted that the American and German merchants had close connections with their home firms, better advertising and more efficient salesmen. In Guatemala the competition was chiefly in hardware, tools, drugs and pharmaceuticals.³⁷ In El Salvador, which in 1889 had purchased nearly twice as much from Britain as from the United States (£141,831 v. £80,033)

³⁶The Economist, June 17, 1893, 723-24; The Times, August 5, 1893, 5.

³⁷The Economist, MTS, February, 1892, 9.

imports of British cottons, silks, earthenware, glassware, and hardware were declining. Imports from America, Germany and France were on the increase.³⁸ In Costa Rica the United States and Germany were taking from Britain some of the trade in hardware and in cotton goods. The sale of large quantities of American railway materials to Costa Rica elevated the United States to the position of Costa Rica's chief supplier. Britain, however, regained first place in 1893.³⁹ The Consular Reports also showed that Honduras was importing fewer British goods while the United States and Germany competed for the trade in dry goods, cutlery, prints, and boots and shoes. By 1894 the United States had made great inroads on the British trade with Honduras in iron products; American edge tools and mining machinery were especially successful.⁴⁰

Not surprisingly, American competition with Britain in Mexico received more frequent and consistent attention than American competition in other Latin American markets. In this market the United States had not only the advantage of proximity and suffered less from the lack of an adequate merchant marine, but the number of British commercial houses there had dwindled after diplomatic relations between the two nations were severed in 1867 and the British had been slow in re-establishing them. British exports to Mexico had remained

³⁸The Economist, MTS, July, 1890, 8; MTS, February, 1892, 9.

³⁹The Economist, MTS, February, 1892, 9; June 10, 1893, 694.

⁴⁰The Economist, MTS, February, 1892, 9; MTS, June, 1894, 8.

virtually stationary since then, reported a British Consul, "while those of American goods have increased so notably." He noted that the sale of English agricultural and industrial machinery was increasing, "but mining machinery is almost invariably bought from the United States, partly because it is cheap, and, as a general rule, well suited to the requirements of the country, and partly because orders can be filled there quicker than if sent to Europe." There was still another factor, one worth quoting for it exemplified a very widespread criticism of English commercial practices:

the American manufacturers take more pains than the British to push the sale of their goods by sending elaborate price lists and estimates when required, and several of them have agents in the country who will, when called upon, visit mines free of charge, and report upon the class of machinery best adapted to the special local conditions.⁴¹

In 1893 Britain's proportion of Mexican trade was still low, but the British Consul in Mexico thought he saw a number of openings for British goods; his recommendations illustrate the competition which prospective British exporters would have to face. He suggested that Britain might send more carriages and carts, which currently were being supplied almost exclusively by the United States and France. English saddles, boots, and shoes he thought would do well for, though they were much more expensive than the prevailing American and French articles, they were also far superior. He saw no reason why England could not compete in lamps, hardware, cutlery, tools, arms, and ammunition, which were being supplied by the

⁴¹The Economist, MTS, November, 1891, 9.

United States and Germany.⁴² The Consul's hopes were by and large disappointed. During the mid-1890s the American preponderance in Mexico increased as the following figures show:⁴³

Mexican Imports (£)			
From	1894	1895	Fiscal 1896
Great Britain	1,226,096	1,378,215	1,581,003
United States	2,693,751	3,243,502	4,029,152

Of the various markets of the New World in 1897 only the Canadian was dominated by imports from the United States. Great Britain remained generally the preeminent supplier of the Latin American nations and in some of them she was overwhelmingly predominant. But she was facing increasing rivalry from other industrial nations and by 1897 her fastest growing rival in some of the Latin American markets was the United States.

⁴²The Economist, MTS, March, 1893, 7; MTS, October, 1893, 8-9.

⁴³The Economist, November 28, 1896, 1571; April 24, 1897, 602.

CHAPTER IX

COMPETITION AROUND THE GLOBE

Europe, Africa, and Asia

Serious competition for industrial sales on the Continent was largely a matter between Great Britain and Germany. American exports to European countries, though, were by no means negligible. The United States, for example, was not far behind Britain as a supplier of German imports:¹

German Imports (thousands of marks)			
From	1892	1893	1894
Great Britain	620,971	656,443	608,640
United States	611,966	458,094	532,939

During this period the United States improved its position, relative to that of Britain, as a supplier to France:²

French Imports (£)		
From	1890	1896
Great Britain	25,080,000	20,217,720
United States	12,680,000	12,430,160

Even Spain, which had long-standing commercial ties with England, purchased substantial amounts of American goods. In 1889 her imports from Britain were valued at £6,440,024;

¹The Economist, October 12, 1895, 1340-41.

²The Economist, MTS, October, 1891, 7; February 20, 1897, 275-76.

those from the United States were valued at £4,081,876.³ However, the silence of the British press on the significance of these figures would seem to indicate that a very substantial portion of these American exports was comprised of non-competitive natural products, particularly breadstuff; the presumption is further supported by the frequent British statements to this effect which were discussed in Chapter VI.

The only consistent American threat to British manufactures in Europe between 1890 and 1897 was that of agricultural machinery. British Vice-Consuls at LaRochele and at Nantes both reported concern over such competition in the early 1890s. Recent British strikes had driven up prices and, according to the former,

the Americans have taken the opportunity to make a considerable reduction in their machines, which are equally good. The result can only be disastrous to our manufacturers, as the American price is now so much lower than the English that if it continues so all competition between the two will be at an end.

The latter reported that the American machines were

equal to English, but cost less, and it seems odd that the United States, where the protective duties are higher than in any other manufacturing country (a state of things which we are told should make the cost of production greater), is able to turn out these machines as good as English, send them 3,000 miles, and sell them cheaper than we can.

Both noted with dissatisfaction that British makers refrained from exhibiting at agricultural shows in France. The Americans did participate. They won the prizes and they sold the

³The Economist, February 21, 1891, 241.

machines.⁴

In Russia the British faced similar competition. The British Consul at Rostov-on-Don, a major Russian emporium for agricultural machinery, reported that all the steam threshers sold there in 1889 were of British make. The Americans, however, supplied all the reapers, mowers, and hay-rakes. Abundant harvests in 1894 greatly increased the Russian demand for agricultural machinery. The sale of English engines and steam threshers increased, but it was the Americans who sold most of the reapers and binders and about half the drills. More than 2,000 American reapers were sold in the Kiev district alone. Some of the reasons for the increase of American sales are made clear in the following report:

The long monopoly enjoyed by Britain in supplying the steam-thrashing machinery used in [Russia] is threatened with serious competition from Hungary and America. . . .The American thrashers are being introduced by the Minister of Agriculture. It appears the class of thrashing machinery used in America was favourably noted by the Commissioner of Agriculture during his visit to the Chicago Exhibition of 1893, and several sets have been imported by the Government.

The Russian Government, the report continued, was staging official trials of the machinery on the estate of Count Tolstoi. The competition was "well worth the attention of British manufacturers," for their exports of agricultural equipment to Russia were being jeopardized. The American thrashing

⁴The Economist, MTS, July, 1890, 7-8; MTS, June, 1891, 10; MTS, June, 1892, 9. The Americans completely monopolized the market for reaping and binding machines; the English retained a share of the market for other agricultural machinery.

machine, though equal to the British in performance, was considerably lighter and this gave the American equipment a very great price advantage since the import duty was calculated by weight. A ten-horsepower portable engine of American make paid between £40 and £50 less than a British-made engine when it passed through Russian Customs.⁵ Finally, though it was not typical, the contract obtained by Bethlehem Iron and Steel in 1894 to furnish 1,200 tons of steel armor-plate for Russian cruisers deserves mention for the attention it received in the British press.⁶

As American competition in Europe was confined largely to agricultural machinery, what American competition in Africa was reported in the British press was limited to textiles. A British Consular Report of 1891 stated that "the competition for the Madagascar trade in cotton goods lies entirely between Great Britain and the United States." Though Britain had the lead in most articles, the favorite calico in Madagascar came from the United States, "the New England cotton lords having been the first to meet the Malagasy requirements in such goods." Lancashire had found it prudent to begin producing a comparable product. The Americans had also been first in establishing a trade outlet in Mozambique and the British Consular Service recommended that the British should follow suit.⁷ The Foreign

⁵The Economist, MTS, May, 1890, 10; MTS, June, 1894, 9; MTS, January, 1895, 9.

⁶The Economist, January 5, 1895, 15-16.

⁷The Economist, MTS, June, 1891, 11; MTS, May, 1891, 10.

Office received a report in 1892 that the most significant feature of the trade of the Zanzibar-Somali area was "the large amount of American shirtings and drills, compared to that imported from Europe and India, the respective figures being \$225,000 and \$75,000." The natives said they preferred the American articles because they lasted through more washings. In 1895 Britain held first place in supplying Zanzibar's imports, but her shipments were declining while those from the United States were increasing.⁸

American competition in Pacific markets was somewhat more diversified. The British press displayed some interest in Samoa's American trade, perhaps because of the relative newness of American activity there, though British dominance of Samoan imports actually increased after 1890. In the year British and American exports were £25,799 and £9,661 respectively. Britain widened the gap in 1891 and by 1895 was sending £53,196 worth of goods to Samoa to America's £12,124.⁹ Nor was Hawaii, an area of more substantial American interest, any cause for British concern, despite the fact that certain American manufactured goods were replacing those of British

⁸The Economist, MTS, March, 1892, 9; July 25, 1895, 965. The Americans were also apparently capable of selling substantial quantities of dynamite in South Africa, though not necessarily in competition with British suppliers. It was reported that the Transvaal mining industry was irate in 1897 over an agreement between the Nobel Trust and American manufacturers by which the Americans agreed not to sell dynamite in South Africa, thus enabling the Trust to raise its prices. The Economist, October 9, 1897, 1429.

⁹The Times, June 2, 1891, 10; July 6, 1892, 10; November, 1896, 7.

origin.¹⁰ British anxiety about American competition in Asia was focused on the much more important markets of China and Japan.

China was an important market for certain American products. Especially in 1892 and again in 1896 the United States sent very large quantities of cotton goods to China. American petroleum was another major item of Chinese trade though it faced increasing Russian competition after 1894. But, though they took note of American activity in China in the mid-1890s, the British expressed little concern over it. They were far too anxious about German, French, and Russian competition there to be alarmed by the Americans.¹¹ Furthermore, if 1893 was representative, American exports to China were miniscule if they are compared, not with Britain's alone, but with the exports to China from Britain and her possessions:¹²

Chinese Imports, 1893 (Hong Kong Taels)

<u>From</u>	
Hong Kong	80,891,000
Great Britain	28,156,100
India	16,739,000
United States	5,443,600

¹⁰See Chapter VI.

¹¹The Economist, MTS, July, 1894, 4-5; June 27, 1896, 825-26; May 15, 1897, 710; December 25, 1897, 1820. There is the possibility that American competition was minimized, intentionally or unintentionally, because in the international maelstrom which was China in the 1890s, the United States was looked on as a commercial ally. This was certainly the case after 1898.

¹²The Economist, April 27, 1895, 545-46. The figures require qualification. All imports into China which were sent through Hong Kong were officially listed as being of Hong Kong origin, whatever their original source may have been. In any case, the British enjoyed a considerable margin over the United States whether Britain alone or the British Empire is the basis of the comparison.

American competition with Britain in Japan was more formidable. In this market British possessions played a much smaller role and Great Britain herself, though she led the world in sending exports to Japan, did not enjoy so wide a margin of preponderance over the United States:¹³

Japanese Imports (£)		
From	1890	1891
Great Britain	4,635,602	3,332,675
United States	1,117,115	1,140,008

Though total American exports to Japan declined in 1892 and 1893, the British noticed that they were losing ground in the sale of steam engines and boilers because of the successful competition of the Americans and the French. In the mid-1890s the exports to Japan of both Britain and the United States grew considerably, though the ratio of the former to the latter remained much the same:¹⁴

Japanese Imports			
From	1893(£)	1894(£)	1896 (Yen)
Great Britain	3,767,590	4,614,517	59,251,780
United States	821,567	1,201,218	16,373,420

In 1895 The Economist pointed to the United States as Britain's leading competitor. And though it maintained in 1896 that Germany and France offered "more direct competition," it remained concerned about the Americans. "Until quite recently," it stated, "Japan's principal purchases from the

¹³The Economist, MTS, October, 1892, 5-7.

¹⁴The Economist, September 21, 1895, 1239; June 19, 1897, 878.

States were kerosene oil, raw cotton and flour, none of which possess any direct interest for British manufacturers; but America is now sending machinery and metals to Japan."¹⁵ As events would prove, these American industrial exports of the mid-1890s were the prelude to even stronger competition in the future.

British Colonial Markets

In the British Colonies other than Canada, the domination of which by the United States has already been examined, American competition was confined to a very limited range of products and was experienced chiefly in Australia. A substantial number of American locomotives were sold to Australia in 1891. Though this American competition did not completely displace British locomotives there, arguments over the respective merits of each continued for quite a long time.¹⁶ Other British possessions, notably Egypt and India, also experimented with American locomotives. The climax of this competition came after the period under review here and will be examined later. The British also faced competition from American hardware in many of the Colonies. Australia imported cutlery and axes "of superior quality to the English and at no greater cost" from both the United States and Germany.¹⁷ Increasing

¹⁵The Economist, September 21, 1895, 1239; May 16, 1896, 615.

¹⁶Carnegie, "The McKinley Bill," 1029; Com. History 1891, 23-24; Com. History 1892, 24.

¹⁷Lord Augustus Loftus, "Commercial Unity with the Colonies," Nineteenth Century, xxxIII (February, 1893), 342.

foreign competition in colonial markets, including competition from American hardware, tools, and machinery, prompted the Colonial Secretary, Joseph Chamberlain, to request reports from the colonial governors as to the extent to which foreign goods had ousted British products.¹⁸ The final report on competition in the colonies will be discussed later in this chapter.

Great Britain

Not even England itself escaped the sporadic competition the United States was offering in markets around the world in the 1890s. Not only were the Americans sending manufactures to England, but these American exports were in competition with key British industries. The English had grown extremely sensitive about the question of the durability and the cost of production of the British coal industry. In 1893 United States coal production reached a record 163,770,000 tons and American coal exports increased by 36%. Though The Economist was not alarmed, pointing out that the American coal export trade "is still of very diminutive proportions," not exceeding 3,600,000 tons, some of those American shipments were actually sold in England. This prompted Jeans to remark that

If the same rate of freight could be got for American coal destined for British ports [as now prevails for pig-iron and steel], our coal markets may soon be flooded with supplies from the coal fields of Virginia, Alabama, and Pennsylvania. . . . it will

¹⁸For announcement of the investigation and comments, see The Economist, December 7, 1895, 1584-86.

be an evil case for England should the day ever arrive when coal can be mined upwards of 3,000 miles from our shores, and landed at our very doors in successful competition with our own.¹⁹

"Carrying coals to Newcastle" became the statement of a threat rather than an expression of the redundant or the absurd.

Basic English manufacturing industries also faced at least occasional American competition in their home market. At the end of 1893 the textile center of Kidderminster reported that "the introduction of low-grade American Axminsters into the English market in the autumn produced some alarm lest permanent competition from the United States was to be looked for." English rug-manufacturers, however, countered the threat by putting a new and competitive grade of carpet on the market.²⁰ In 1894 there were claims that a variety of American iron and steel manufactures were "being sold in our markets, often of a better quality, and at lower prices than we can produce them." Carnegie, too, pointed out to British readers the effects of recent American price reductions. They had enabled American shipbuilders to tender bids for new British war-ships; the Clyde Trustees had purchased their new dredgers in the United States; American quarrymen sent granite from Maine to Aberdeen; and American manufacturers of agricultural equipment were enabled to sell in the British

¹⁹The Economist, March 24, 1894, 365; J. Stephen Jeans, "The Coal Crisis and the Paralysis of British Industry," Nineteenth Century, XXXIV (November, 1893), 800-01.

²⁰Com. History 1893, 31; see also Carnegie, "Britain and the United States," 323.

market.²¹

The introduction into England of American coal and manufactures alarmed the British by the very novelty of the threat. Two other British industries were contending, not always successfully, with long-established American competition. A British observer commented in 1890 that a handful of American companies were coming to monopolize the life insurance business in England and the author of a letter to The Economist in 1892 remarked that English life insurance companies "have seen their business so seriously trenched upon for so long by the American offices." The extent of American domination was made clear in 1895 when The Economist published a summary revenue table of all eighty-one "ordinary" life assurance companies doing business in Great Britain. Ranked in order of annual premium income, the four leading firms were all American: Equitable (£7,814,656); Mutual New York (£6,849,585); New York (£5,776,953); and Prudential (£2,077,956). These enjoyed a tremendous lead over their British competitors, only three of which had an annual premium income exceeding £500,000, the largest being £895,653.²²

These American insurance firms were the subject of a number of disputes in the early 1890s. The first centered

²¹Williamson, British Industries and Foreign Competition, 237; Carnegie, "Britain and the United States," 322-23.

²²P. M. Tait, "Life Assurance," Edinburgh, CLXLI (October, 1890), 514-19; The Economist, February 13, 1892, 222; May 25, 1895, 682. I have not been able to establish certainly that Prudential was an American company.

around British income tax law. British insurance firms believed they were subjected to an unfair disadvantage, since their American competitors were exempt from the British income tax on interest derived from investments. On the other hand, The Economist pronounced as "most unjust" a recent Queen's Bench ruling that life insurance premiums were deductible from taxable income only when paid to British firms. "The disability thus imposed upon foreign insurance companies doing business here is a serious one," it said; and, though "our home offices don't like the competition of the American institutions," they should not seek protection against by means of discriminatory tax legislation.²³

More serious were the very frequent charges that the American firms, and particularly the Equitable Life Association of the United States, operated at excessively high cost, had insufficient assets, and attracted considerable business on the basis of exaggerated advertising and highly-misleading annual statements. The Economist published considerable correspondence and numerous articles under headings such as "Hand to Mouth Life Assurance" and "The Promise and Performance of American Life Offices" exposing such practices. Editorially it stated that American firms such as Equitable Life "have for many years been getting an unfair advantage over their English competitors."²⁴

²³The Economist, February 15, 1890, 211; February 8, 1890, 169.

²⁴The Economist, May 6, 1893, 536; December 2, 1893, 1431; December 9, 1893, 1464-65; December 16, 1893, 1507-09; January

Far more sinister and dangerous than the allegedly unethical practices of American life insurance companies, however, were the machinations of that epitome of the American trust, the Standard Oil Company.²⁵ The Scotch oil trade was not a major British industry. Nevertheless it was of considerable importance in Scotland, for much local capital had been invested in the business and it provided one of the more important cargoes for the Scotch railroads. The business consisted of the extraction of paraffin oil (scale) from shale rock and its processing for use chiefly as illuminating oil and as a base for candles. In the past the industry had returned "an exceedingly handsome profit," but then Standard Oil had entered the British market and nearly ruined the Scotch producers. The result was an agreement, which in 1890 had been in force for some time, by which the Scotch producers limited their productions and Standard Oil, which set the price for the product, reduced its imports into the United Kingdom.

At the beginning of 1890 the Scotch producers, faced with rising production costs, sought a price increase. Standard Oil countered with a plan to increase its shipments to the United Kingdom by 25% on the grounds that the maintenance

6, 1894, 18-19; April 6, 1895, 450-51. Such criticism was presumably not motivated by any anti-American bias. Under the title "Where Not to Insure," The Economist published a scathing criticism of a Canadian insurance company; December 23, 1893, 1531-32.

²⁵The British press had much to say about trusts, which were generally considered to be a natural, though very undesirable, outcome of the American protective system. This important topic must be excluded due to lack of space.

of moderate prices would lead to increased consumption. As The Economist viewed the situation,

the outlook for the Scotch oil trade is not pleasant to contemplate. Acquiescence in a continuance of current prices means ruin to certain undertakings; a break with the Standard, and the introduction of unbridled competition with America will amount, sooner or later, to the same thing.

There was no doubt that American oil ruled the British market. Of the 1,826,297 barrels of petroleum which Britain imported in 1890, 1,232,957 came from the United States. The remainder came from Russia.²⁶

By 1892 the Scotch oil trade was in still more serious trouble. Standard's Lima oil fields, which yielded petroleum richer in scale and lubricants than the Pennsylvania fields, were by this time in full production "and the American producers are resolved that Europe must take what they have to send." Standard Oil, which in 1889 had exported 16,000 tons to the United Kingdom, sent 27,000 tons in 1891--total Scotch production was only 25,000 tons annually--and was expected to send 30,000 tons in 1892. Consequently, early in 1892 the Scotch producers were forced to agree to an additional 10% reduction of their output, to the maintenance of their domestic prices, and to the reduction of their prices to continental consumers. Surplus stocks of Scotch oil nevertheless accumulated rapidly. What could not be converted into candles was frequently pawned, for operating capital was required even though the product could not be sold. Many of the

²⁶The Economist, MTS, January, 1890, 6-7; MTS, July, 1890, 5-6; Com. History 1890, 18.

Scotch firms were liquidated, prompting The Economist to remark:

The agreement with the American producers has been a disastrous event for the Scotch producers, and has been altogether one-sided, and wholly in the interest of the Yankees. . . . All along the Americans have pursued that policy of selfishness which characterizes most of their dealings with competitors in the mother country.

The mid-1890s brought no relief. The Economist began an 1895 article by announcing that "the Scotch oil trade--or such part of it as still exists--had renewed friendly relations with the all-absorbing Standard Oil Company of America." Friends of the industry, it continued, "believe that the Scotch oil trade would have fared best by having naught to do with the oil octopus of America."²⁷

The British antagonism against Standard Oil was due to more than the latter's ability to establish prices and production quotas to suit its own interests, disastrous as that was for the Scotch industry. A heated public controversy, the origins of which went back several decades, was renewed in 1894. Much of the oil which the United States and Russia shipped to Britain was of inferior quality. Its flash-point (ignition temperature) was so low as to be a very serious safety hazard. The flash-point of American and Russian oils was frequently as low as 70-88 degrees F. The flash-point of Scotch oil was considerably higher and the Scotch producers sought to have the British government raise the minimum legal

²⁷The Economist, January 16, 1892, 69-70; October 1, 1892, 1237-38; January 14, 1893, 39; April 29, 1893, 507; February 16, 1895, 224.

flash-point to at least 100 degrees F. The chief target of such legislation was, of course, Standard Oil, which supplied the bulk of British imported oil and which, it was reported, had just come to an agreement with the Russians by which the world was to be divided into monopolistic spheres of influence, Standard Oil obtaining control of America, Britain, and Western Europe.²⁸

The Americans, however, had surmounted such legal obstacles before. The British government had passed an Act in 1862 establishing a flash-point of 100 degrees F., but it had not suited American producers and they brazenly ignored it, according to The Economist. When new legislation was passed in 1868, The American producers (operating through their Petroleum Association) had suborned governmental consulting experts, persuading them to adopt a testing device which registered a very inflated flash-point. When another commission was established by the British Government in 1897 to

²⁸The Economist, February 10, 1894, 175; The Times, May 8, 1894, 5. An interesting sidelight on Anglo-American competition is provided by the case of the entrepreneurs, including a number of British investors, who devised a scheme to capture the American oil trade with the East. They planned to build large reservoirs in Eastern port cities and to fill them from newly-designed tankers of huge capacity which would carry the oil from Black Sea Ports to the East via Suez, thus putting the more expensive American case oil trade (oil shipped in tin cans packed in wooden crates) out of business. British tin-plate, shipping, and financial interests which profited from the American trade, lobbied to have the Government prohibit the passage of such tankers through Suez on the grounds that they were a safety hazard. They failed and by 1893 four such tankers had used Suez. The Economist, January 9, 1892, 36-37; MTS, March, 1893, 3-4.

consider the question anew, The Economist published official Iowa reports which described Standard Oil's fraudulent and criminal attempts to sabotage that state's flash-point requirements. No decision was reached in 1897, but The Economist mounted a campaign of reporting deaths and injuries caused by lamp explosions, simultaneously urging the commission to have more regard for the safety of British citizens than for the profits of American oil producers.²⁹

1897: A Turning Point

British concern over foreign competition was growing in the mid-1890s in both official circles and in the press. Late in 1895 Chamberlain requested from Colonial governors information of the displacement by foreigners of British-made goods in the Colonies. The German threat of 1896 led to an official investigation of foreign competition and the publication of the "Boyle Memorandum" at the beginning of 1897. Later in that year the replies of the Colonial governors to Chamberlain appeared in the form of a lengthy Blue Book. The year 1897 marked a turning point in two respects. American competition intensified considerably in 1897, and for a number of years after that date British attention was probably focused more on American than on German competition.

A recapitulation is in order here. We have already seen that by 1897 the British were coming to accept the fact

²⁹The Economist, February 16, 1895, 224; July 10, 1897, 984-86; August 28, 1897, 1235-36.

that the United States was becoming less open as a market for British goods, an opinion which the next few years confirmed, and that American exports were in some cases checking the expansion of British exports in various markets around the world. We have seen that by 1897 America was a dominant force in the economic life of Canada, far surpassing the British there. The Canadians recognized this and, their bid for reciprocity with the United States rejected, opted for preferential trade with Britain in the hope of checking still further American penetration. During the 1890s American goods of several kinds were competing with British articles in a number of Latin American markets. American cotton goods were competitive in China and in portions of Africa. Metal products, particularly agricultural implements and locomotives were supplanting similar British products in Europe and Japan. By 1897 the British were also feeling the American challenge right at home. The Welsh tin-plate and the Cornish tin-mining industries had been very adversely affected by American competition and the British iron and steel industry had felt the effects of this. British insurance companies and Scotch oil producers, particularly the latter, had been injured by American competition and resented the sharp practices of their rivals. Occasional shipments of American coal, iron, and manufactures had reached Britain during the 1890s, opening eyes in a way that American competition elsewhere could not.

Many of these tendencies reached a new peak of intensity in 1897. Early in that year the renewal of revolution

in Cuba re-established British awareness of the world role of the United States. The British press generally supported or at least tolerated the thought of American intervention, even though it was widely recognized that such intervention would mean an increase of American influence in and possibly control of Cuba.³⁰

The annexation of Hawaii by the United States became all but formalized in 1897. As the National Review recognized:

The expansion of America into the Pacific is an event of capital importance. Henceforth the United States must be regarded as a great colonizing and naval Power, for no one can imagine that she will rest her oars in Honolulu. . . . Captain Mahan . . . regards this new departure with unqualified approval, for in his eyes the Sandwich Islands constitute the Key to the Pacific.³¹

According to A. Maurice Low, the National Review's regular columnist for United States affairs, "the annexation of Hawaii is the logical forerunner of the annexation of Cuba. And after Cuba, with the building of the Nicaragua Canal, it is easy to see that the lust on conquest, the passion for territory, will not be appeased until the United States command its approaches both in the Caribbean Sea and the Pacific."³²

³⁰The National Review, though it was highly sensitive to Britain's world position, virtually mounted a campaign of appeal for American intervention. See, for example, W. Hallett Philips, "The United States and Cuba--A New Armenia," National, XXVIII (January, 1897), 598-604; and the regular feature, "Episodes of the Month," throughout 1897 and 1898. For a thorough examination of British press opinion of the several manifestations of American expansion discussed here, see A. E. Campbell, Great Britain and the United States, 1895-1903.

³¹"A Greater America," National, XXIX (July, 1897), 658.

³²A. Maurice Low, "The Month in America," National, XXIX (July, 1897), 744.

Such a situation disturbed few in Britain. Typical was the British observer who rhetorically raised the question, "Do Foreign Annexations Injure British Trade?" and answered, emphatically not. Though by such annexations he believed the United States had reached the status of a "world state" as Britain and perhaps Russia also were, he concluded that it was in Britain's interest that the United States annex such areas; it was better that an area come under regular government--even if a tariff wall were erected--than for free trade with anarchy to prevail.³³

Yet it was significant that Low's vision of "Hawaii under the American flag, Cuba destined to be an American colony, and the Stars and Stripes flying at both ends of the Nicaragua Canal" was juxtaposed with an account of lagging American prosperity. It had been supposed by many that the election of McKinley would be followed by palmier days. That these had not yet appeared many Americans were blaming on the "free-trade" Wilson Tariff. The American Protective Tariff League, one of whose directors was McKinley's Secretary of the Interior, complained that the United States was suffering from an invasion of foreign products. Others joined the chorus of complaints. If "a score of articles 'made in Germany' are causing irritation in England," Carnegie asked British readers, "what can a thousand articles 'made in England' be expected to do in the United States?"³⁴ That such conditions and such

³³Henry Birchenough, "Do Foreign Annexations Injure British Trade?" Nineteenth Century, XLI (June, 1897), 1004.

³⁴Low, "The Month in America," 744; Andrew Carnegie, "Does America Hate England?" Contemporary, LXXII (November, 1897), 660.

opinions led to the ultra-protectionist Dingley Tariff which further impeded British exports to the United States we have already seen. But these same economic conditions, insufficient home demand and declining prices, led to increased efforts to find foreign markets for the surplus production of America's rapidly growing industrial capability. An example of such efforts, more public than most and reminiscent of Blaine's 1890 campaign, was the formal opening by President McKinley of the International Commercial Congress at Philadelphia in mid-1897. According to an American correspondent of The Times, it was a revival and an extension of the Pan-American idea; not only governments but also commercial organizations were taking part in it. He described the Congress as "an attempt to extend trade relations between the United States and South America, where England is thought to monopolize too large a share of business and influence. . . . There are large exhibits of American goods for which South America is expected to become a customer."³⁵ Less ostentatiously and in other directions the scope of American activity was widening. An event of the greatest consequence was the opening by Andrew Carnegie of sales offices in European cities including London and Liverpool. The American correspondent of The Economist called this action "a gauntlet in the face of the steel world; for that it is the intention of American rail makers, or at least of this particular rail maker, to

³⁵The Times, June 3, 1897, 7.

bid on all contracts open for the world's competition which may come up, seems unquestioned."³⁶ The export of iron and steel and of products manufactured from them constituted the principal but not the only form of American competition recognized in the British press in late 1896 and in 1897.

The first indications of serious American competition in iron and steel occurred in April, 1896. One week The Economist announced that American rail manufacturers "have captured an order for rails for Japan against the competition of our English makers." Furthermore, vigorous efforts were being made to export Southern pig-iron; "already shipments on a small scale are being made to this country." The following week it reported that a thousand tons of Southern pig-iron had been sold for export to Glasgow, 16,000 tons of steel rails had been sold to Japan, and "a large quantity" of rails had been purchased in the United States by the Grand Trunk Railroad of Canada.³⁷ Since it attributed this competition to "the exceptional depression in the United States" and to temporary situations such as the favorable fluctuations of ocean freight rates, The Economist was not overly alarmed in 1896. When, in the fall of that year, it again carried accounts of "order for rails for Japan and Canada having been taken [by Americans] in competition with English makers" and it reported that "about 250,000 tons of iron and steel in

³⁶The Economist, February 27, 1897, 313.

³⁷The Economist, April 11, 1896, 455; April 18, 1896, 489.

different forms (including pig-iron) have been shipped from America to Europe," The Economist remained confident. British producers, it believed, could "hold their own, foreign competition notwithstanding."³⁸

At the beginning of 1897 both The Times and The Economist were still complacent. Both noted in their reviews of 1896 that the British iron and steel industry was prosperous. Though The Times reported that Alabama pig-iron was being offered at Middlesbrough at competitive prices and The Economist once again recounted that Americans had taken Japanese and Canadian rail orders away from English rivals, these leading newspapers used identical words to describe the situation: "the United States have not yet commenced to seriously compete with Great Britain in foreign markets." The extensive sale abroad of American locomotives was dismissed as the result of British makers being too busy to accept the enormous world demand. The entry of American iron and steel into Britain was characterized by The Economist as "quite exceptional"; such shipments had been possible only because there was no market in depressed America for the great surplus production. The Economist anticipated an economic revival across the Atlantic which would, it believed, raise American prices to the point where American iron and steel would no longer be competitive.³⁹

³⁸The Economist, October 10, 1896, 1323; October 24, 1896, 1387; November 7, 1896, 1451.

³⁹The Times, January 5, 1897, 3-4; Com. History 1896, 21-22; The Economist, January 16, 1897, 77.

By early 1897 the cost of Alabama pig-iron had increased by \$1 a ton beyond the prices of 1896, yet the British found that American competition not only did not slacken but actually increased. The American correspondent of The Economist reported in February that Alabama producers were exporting pig-iron to England, Holland, Spain, Belgium, Italy, Austria, India, and Japan; and they were negotiating orders with Russia, Australia, and South Africa. Foreign buyers had found Alabama pig-iron equal to that produced in Scotland and superior to that made in Middlesborough. Alabama producers, he went on, "regard it reasonable to suppose that after a full familiarity with American iron, European consumers will be willing to pay full market prices for it, and that this export business is therefore likely to continue."⁴⁰ At about the same time Carnegie was reported to be introducing new equipment which would reduce the production cost of steel rails by 20%. According to The Times, Carnegie and other major American steel makers "are said to be making a special effort to conquer the European and especially the South American markets, which latter has been heretofore monopolized by England."⁴¹ In March came the sensational report from The Economist's correspondent that "orders for 100,000 tons [of steel rails] have been received from London by the Carnegie interests. One-half of this order is credited to English

⁴⁰The Economist, February 20, 1897, 280.

⁴¹The Times, March 1, 1897, 7.

railway companies, and a large block is said to be destined for Japan." The remainder of his report was more startling still:

The statement that [American] tinplate bars have been exported to the Welsh tinplate mills for several months, and that some of the tinned plates imported recently were made of American steel, rests upon good newspaper authority, but has not been officially confirmed, as has been the announcement that Bessemer steel billets have been going abroad for some time past, and that one Pittsburgh concern is "shipping on an order for 20,000 tons of billets, to be landed on the west coast of England, at a price said to be 12s. below the local quotations."⁴²

By April The Economist admitted that American competition was having "a depressing influence" on the British iron and steel industry and it predicted that "we may have to count upon this condition of things continuing for some time to come." Accounts of British and Canadian purchases of American iron and steel continued to appear and the United States still found Japan a very profitable market. According to the British Vice-Consul at Tokyo, the United States had emerged

as a serious competitor with Europe in supplying Japan with machinery, rails, nails, and pig-iron. In rails alone American producers sold 30,000 tons at lower prices than British makers were willing to accept, and there appears to be a probability that American locomotive builders will secure a greater number of Japanese orders during the current year.

The Economist hoped that the United States had secured so many foreign orders for steel that the flooding of the British market by that product might diminish, but it expected the British importation of Southern pig-iron to continue. British cotton

⁴²The Economist, March 6, 1897, 348.

steamers offered the Americans low freight rates for pig-iron for they found it to be excellent ballast.⁴³

Throughout the first half of 1897 The Economist continued to insist that such competition was primarily the result of the depressed condition of the American market. But by July it was repudiating its former conviction that the competition would disappear when an improvement occurred in the United States. It had come to believe "that a considerable portion of the present competition will continue," despite any American revival. Large quantities of American iron were being imported by Britain and others had

found its way to India, China, Japan, and the Continent of Europe, and other markets are daily being found by American manufacturers. The main reason why this competition must now be viewed in a more serious light is the fact that most successful efforts have been made towards cheapening the cost of producing steel, and it is affirmed on the best authority that the cost of making pig-iron and steel billets is less in America than in this country.

At Chicago Carnegie was producing pig-iron and steel billets at costs which "so far, have not been possible in this country, even under the most favourable conditions." If any further proof of American competitiveness were required, said The Economist, there were abundant examples. In addition to the large quantity of steel billets and the nearly 70,000 tons of pig-iron which Britain had imported from the United States in the preceding twelve months, the Americans had just won a large order for rails for the Indian railways, their price being about 20s. per ton under British quotations;

⁴³The Economist, April 17, 1897, 567; June 26, 1897, 914.

they had also won an order for water pipes for Coolgardie; "and steel hoops are being offered at considerably less than English prices laid down both in English and foreign ports." The Economist warned that the now "more serious competition of America," coupled with existing Continental competition, might check the expansion and jeopardize the prosperity which the British iron and steel industry had been enjoying for several years.⁴⁴

By the latter part of 1897 it was quite clear to the British that American iron and steel competition was not a temporary phenomenon resulting from depression. The Americans continued to take Japanese orders out of the hands of English producers. In England itself agents "are still pushing the sale of American pig-iron, steel hoops, wire rods, gas, water, and boiler tubes, and other productions of the American steel works." The United States was no longer depressed. Its successful competition was clearly attributable to "enterprise" and to the adoption of the newest equipment and techniques. In fiscal 1897 the United States exported 168,890 tons of pig-iron, 107,740 tons of steel rails, 53,865 tons of wire, and 46,248 tons of steel billets, in addition to smaller quantities of other iron and steel products. "If exports on this scale are to continue," The Economist warned, "it will be a serious matter for the iron and steel trade of this country, and it behoves our manufacturers to do all in

⁴⁴The Economist, July 10, 1897, 986.

their power by cheapening the cost of production to meet this new competitor."⁴⁵

This competition was not restricted to the primary products of the iron and steel industry. In the sale of the various kinds of machinery and equipment which the British styled collectively as engineering products, there was also formidable American competition. We have already noted earlier examples of the extensive foreign sales of American locomotives and agricultural machinery. In a leading article of 1897, The Times cited the statement of an American engineer that hundreds of thousands of dollars worth of American machinery was being sent to Asia, to Europe, and to England itself. According to The Economist, the process "which is subject to serious and growing competition from American manufacturers" was the application of electric motors to machine tools and other technical innovations. Both journals saw this as a demonstration that the United States was successful because of its ability constantly to reduce industrial costs. The Times added the observation that the highly-paid American worker labored harder and more efficiently than his British counterpart.⁴⁶

The "American cycle invasion" was still another element of American competition which attracted attention in 1896 and 1897. In 1896 cycling became a mania in England and almost

⁴⁵The Economist, October 16, 1897, 1458.

⁴⁶The Times, leading article, September 23, 1897, 6-7; Com. History 1896, 21. The Times' comparison of the American with the British worker was occasioned by the existence of a serious strike in the British engineering trades, a strike which "has given a great advantage to our American and Continental competitors"; The Times, leading article, October 9, 1897, 11.

overnight the cycle industry experienced a fantastic boom. British makers were not prepared for this sudden and tremendous increase in demand. But in America, wrote a British commentator, "for some reason or other, the rise was foreseen, and manufacturers there . . . placed large contracts for cycle tubing, which practically swallowed up the output of that indispensable material . . . and so made it impossible for the English manufacturers to cope with the subsequent rush of orders." While English investors were sinking large sums in the establishment of tube works, English cycle prices were necessarily quite high "and the market has been flooded with cheap American ones."⁴⁷

The American rush to take advantage of English cycle market conditions led to the export of large numbers of inferior machines. Even cycles that were well made by American standards proved too light and fragile for the rugged country lanes of England. Soon there were widespread complaints that the American product was shoddy and there were those in England in 1896 who were prepared to write off American cycle competition as a failure. But at least some American manufacturers adapted their product for the English market and this competition did not disappear. "With characteristic push," The Economist reported in mid-1897, American cycle manufacturers

⁴⁷A. Shadwell, "The Economic Aspects of the Bicycle," National, XXVIII (November, 1896), 345-46.

have not hesitated to attack the British maker on his own ground, and this country has been flooded with American machines, many, no doubt, of inferior class, but others practically as good as can be manufactured on this side. As a matter of fact, the American cycle has established for itself, more especially among ladies, quite a market in England, of course to the detriment of the home trade.

In this industry, too, keener competition was a result of American cost-cutting. At the height of the influx of American cycles, a major American producer announced a 25% price reduction. The Economist concluded that, however damaging to the British industry it might be, "there appears to be no doubt that the competition will have to be met by a general lowering of prices" by English makers.⁴⁸

The 1897 invasion of England by American manufactures was largely confined to products of the iron and steel and the engineering industries, though there were also complaints that the Americans were "dumping" quantities of Axminster carpets in the English market at low prices.⁴⁹ American competition in other world markets, however, was somewhat more diversified. British concern over American competition in external markets in 1897 was particularly focused on the British possessions. The trend of American domination of the Canadian market, which prompted the adoption of preferential tariffs by Canada in 1857, has already been examined. There were those in England who feared that a similar situation

⁴⁸Ibid.; The Economist, July 3, 1897, 952-53; August 21, 1897, 1202.

⁴⁹Com. History, 1897, 31.

had arisen in the British West Indies.

The one-product economy of these islands had been nearly ruined since 1890, first by the refusal of the British Government to permit the West Indies to conclude a reciprocity treaty with the United States and secondly by the competition of European, government-subsidized beet sugar. In the interim the islanders had developed a profitable trade in tropical fruits with the United States and there were those who thought the West Indian trade pattern was becoming ominously similar to that of Canada:

West Indian Trade, Annual Average (millions £)		
With	1881-1885	1891-1895
Great Britain	6.9	5.9
United States	3.4	5.1

The expanded marketing of tropical fruit, however, had not completely compensated for the immense losses being sustained in the sugar trade. The planters had been refused reciprocity with the United States in part at least because of English fears that this would establish too close a relationship between America and a British possession. By 1897 the planters were requesting assistance from the British Government in the form of subsidies, similar to those paid by the sugar-beet producing countries of Europe. Again the Government proved reluctant to aid the West Indies. But there were English critics who believed that such a refusal would be a far greater inducement for the West Indians to turn to the United States than any mere reciprocity treaty. The United

States had once admitted West Indian sugar duty-free; it might do so again.

Geographically much nearer to America than to Great Britain, [the West Indians] might seek, and would certainly receive, from the United States, not alone the commercial facilities which we deny them, but other inducements of far greater importance. Trade would follow the flag. That flag would no longer be ours, and we might have to deplore not only the ruin, but the loss, of our West Indian possessions.⁵⁰

In Australia, too, the American rivalry was keenly felt. Earlier examples of American competition in locomotives and hardware have been noted already. According to a British Commercial Attache, by the mid-1890s the Americans dominated the Australian market for wooden manufactures and their monopoly of the sale of tools and implements was such that "the British do not attempt to assail that position." The American strength in this trade was "the well-known talent of the United States manufacturers in producing the best shapes for utility [which] gives them a strong position in a market the requirements of which are somewhat similar to those of America." This British official attributed American success in certain other trades to superior packaging, more detailed and attractive catalogues, and better advertising. In the case of items on which the Australian duty was levied by the size

⁵⁰Williamson, British Industries and Foreign Competition, 214; Michael G. Mulhall, "The Trade of the British Colonies," Contemporary, LXXII (November, 1897), 703-04 (note that the figures are for total trade, not for imports alone); Mayson M. Beeton, "The Wrecking of the West Indies," Nineteenth Century, XLII (July, 1897), 151-60; Lord Pirbright, "The Ruin of the West Indies," National, XXX (December, 1897), 534.

of the package, the Americans "had proved themselves able to place a greater quantity in a cubic foot than the British" and in a manner which reduced breakage. By attention to such minor details as these, the Americans had been successful in selling lamp-glasses, bottles, and other items for which proper packing was important. Moreover the Americans shipped trade packages, units which could be bought and sold in the cases in which they were imported. Whereas British or Continental exporters sent goods in unwieldy and irregularly sized cases, the Americans shipped clocks, lamps, and many other articles in cases of unvarying size, each containing a suitable number of articles for sale to retail shopkeepers, and attractive enough to be put on display on the merchants' shelves.⁵¹

According to this same official, "the Americans also are doing excellent work in promoting commerce" in South Africa. The United States was far behind Britain as a supplier to Cape Colony but, as in other markets, American sales were increasing at a faster rate:

Cape Colony Imports (₤)		
From	1890	1895
Great Britain	7,825,000	10,427,000
United States	274,000	867,000

Yankee enterprise was evident in South Africa. A large Chicago

⁵¹William S. H. Gastrell, Our Trade in the World in Relation to Foreign Competition: 1885-1895 (London: Chapman & Hall, Ltd., 1897), 81, 83-87. The Economist also recognized the superiority of American packaging; September 18, 1897, 1322.

machinery manufacturer had established a permanent agency in the Transvaal with a warehouse for goods, a repair shop, and a technical staff. Whenever new mining projects were begun, its engineers were on the spot offering plans and estimates. If their offer was accepted, they could immediately supply and erect the necessary equipment, a factor which gave them a very great sales advantage.⁵²

Such a heavy incidence of American competition in 1897, and the fact that so much of it was taking place in England itself or in the British colonies, brought with it a new notoriety. The year 1897 was a turning point in that, for the first time in a number of years, many in Britain began to express the opinion that American competition was a graver peril than that of Germany. As early as 1897 the climate of opinion in Britain was being prepared for the alarmist reaction to the "American invasion" a few years hence. There were still those who, in 1897, believed that American competition was inconsequential compared with that of Germany.⁵³ There were others who saw little point in discriminating, who saw dangerous competition on many sides. "America, Belgium, and Germany," went one example of this attitude, "are running us very close in our own specialties of engines, printing machines, agricultural machinery and implements, cycles,

⁵²Gastrell, Our Trade in the World, 75, 172, Annex No. 7.

⁵³See, for example, Henry Birchenough, "England's Opportunity--Germany or Canada?" Nineteenth Century, XLII (July, 1897), 1-8.

firearms, &c., &c."⁵⁴ But there began to appear also identifications of America as Britain's chief rival: "In the future," wrote Professor Armstrong, "we have to fear not German competition, but that of our colonists beyond the seas, and perhaps that of our American cousins most of all."⁵⁵

The United States had been identified in the official reports which appeared in 1897--the "Boyle Memorandum" and the colonial replies to Chamberlain's questionnaire--as one among a number of competitors; these reports had had their origins in 1895 and 1896. Publication of the responses to Chamberlain's inquiry elicited this statement from The Times:

The keenest of our competitors in the colonial trade are the United States, Germany, and Belgium, with Japan emerging as a rival in the Far East. . . . The general result of the inquiry appears to be that British trade is still easily ahead in goods of the best class, except machinery and tools, in which the United States, on the whole, takes the lead, but that the colonial market very largely demands goods of a second-rate kind, which our foreign competitors furnish at lower prices and in a more finished style than British manufacturers. . . . As yet [British manufacturers] commercial supremacy remains unshaken, but competition has challenged it boldly and has made rapid advances.⁵⁶

This was a somewhat stronger statement of American competition than those which had appeared in The Times when the "Boyle Memorandum" had been published at the beginning of 1897, but the strongest statements were still to come.

⁵⁴Pirbright, "The Ruin of the West Indies," 532.

⁵⁵Quoted in J.B.C. Kershaw, "The Future of British Trade," Fortnightly, LXII n.s. (November, 1897), 738, n.1.

⁵⁶The Times, leading article, September 15, 1897, 7.

In the wake of all the news and commentary of 1897 concerning American competition, a Fair Trader examined for the British public "The Future of British Trade." According to him, "our difficulties are an increasingly keen competition from Germany and the United States." Though he denied the journalistic allegations of a German deluge of England, he quoted with approval the statement of the "Boyle Memorandum" that German and American "competition with us in neutral markets, and even in our home markets, will probably, unless we ourselves are active, become increasingly serious." He denied that report's contention that British activity could reduce the seriousness of foreign competition, which he believed "must inevitably slowly increase." But the most important conclusion which he drew from the evidence of 1897 and the most pregnant comment on Britain's commercial future was that "the United States is a rival in our trade to be feared even more than Germany."⁵⁷ By themselves, of course, such statements are inconclusive, for they represented no more than a single individual's point of view. But this particular view was shared by The Economist and The Times and was, therefore, presumably representative of a considerable body of British opinion. Though it was not the style of The Economist to offer an explicit editorial statement on the comparative gravity of the American and the German threats, it consistently took American competition more seriously,

⁵⁷Kershaw, "The Future of British Trade," 733-37.

as a reading of its issues throughout the 1890s shows. At no time was this more evident than in 1896 when it simultaneously minimized the currently fashionable alarm over German competition while maintaining the closest scrutiny of American activity in nearly every issue. The Times had adopted this view more explicitly by the end of 1897. In a leading article it agreed with the President of the Royal Statistical Society that "the competition we may expect from Germany [is] insignificant in comparison with that of the United States."⁵⁸

The year 1897, then, did mark a turning point for British opinion. While there can be no doubt that, as the pioneer student of the subject has shown,⁵⁹ a still more extensive British concern emerged after 1898 when the United States expressed commercial ambitions and demonstrated commercial energy commensurate with its new role as a world power, it is important to realize that the fundamental features of the American danger were apparent to many in Britain in 1897.

⁵⁸The Times, leading article, December 16, 1897, 9. It must be noted, however, that both The Times and The Economist remained relatively confident throughout the period covered in this study that neither American nor German competition would overwhelm Britain.

⁵⁹Heindel, The American Impact on Great Britain: 1898-1914, Chs. VII-IX. According to Heindel (171, n.1), Clapham's study of British economic history was the first "to give proper attention to the American impact" but erred by dating its emergence in 1903 rather than in 1898. It would be pedantic to take issue with Heindel over this date, especially since his study includes evidence of pre-1898 British awareness of the American challenge. Nevertheless, the pre-1898 origin of worldwide American competition and of serious British concern deserves emphasis.

British alarm over the "American invasion" of 1901-1902 had its roots in the pre-Spanish-American War years however much the spectacular events of 1898 established a new and different context for American economic activity.

EPILOGUE: THE CLIMAX OF THE AMERICAN CHALLENGE, 1898-1903

EPILOGUE

THE CLIMAX OF THE AMERICAN CHALLENGE, 1898-1903

"America has invaded Europe not with armed men but with manufactured products," began Frederick Mackenzie's The American Invaders (1902), the most detailed and the most discussed examination of the many facets of the American invasion of Britain.

No nation has felt the results of this invasion more than England. . . . Men have sometimes spoken as though the dramatic coup of a Morgan, when he took our Atlantic supremacy away from us; of a Schwab, who outbids our steel makers; of Philadelphia bridge builders, who capture the orders of our biggest viaducts, comprise this invasion. They form but a very small part of it. Such items are merely the sensational incidents in a vast campaign. The real invasion goes on unceasingly and with little noise or fuss in five hundred industries at once. From shaving soap to electric motors, and from tools to telephones, the American is clearing the field.¹

In support of this thesis, Mackenzie drew a portrait--exaggerated yet not utterly beyond the bounds of belief, according to the author--of the Englishman as a consumer. Despite its length, the anecdote deserves quotation in full not only because of its content but also because it was probably more often alluded to than any other passage in the literature of the American invasion.

The average citizen wakes in the morning at the sound of an American alarm clock; rises from his New England

¹Frederick Arthur Mackenzie, The American Invaders (London: Grant Richard, 1902), 1-2.

sheets, and shaves with his New York soap, and a Yankee safety razor. He pulls on a pair of Boston boots over his socks from West [sic] Carolina, fastens his Connecticut braces, slips his Waterbury watch into his pocket, and sits down to breakfast. Then he congratulates his wife on the way her Illinois straight-front corset sets off her Massachusetts blouse, and begins to tackle his breakfast, at which he eats bread made from prairie flour (possibly doctored in the special establishment on the Lakes), tinned oysters from Baltimore, and a little Kansas City bacon, while his wife plays with a slice of Chicago ox tongue. The children are given Quaker Oats.

Concurrently he reads his morning paper, set up by American machines, printed with American ink, by American presses, on American paper, edited possibly by a smart journalist from New York City, and sub-edited with as close an approach to American brevity and verve as English pressmen can achieve, advertising its American edition of some classical novels or gigantic encyclopedia, which is distributed among the subscribers on the American installment system.

Rising from his breakfast table the citizen rushes out, catches an electric tram made in New York, to Shepherds Bush, where he gets into a Yankee elevator, which takes him on to the American-fitted railway to the city. At his office of course everything is American. He sits on a Nebraska swivel chair, before a Michigan roll-top desk, writes his letters on a Syracuse typewriter, signing them with a New York fountain pen, and drying them with a blotting sheet from New England. The letter copies are put away in files manufactured in Grand Rapids.

At lunch time he hastily swallows some cold roast beef that comes from a Mid-West cow, and flavours it with Pittsburgh pickles, followed by a few Delaware tinned peaches, and then soothes his mind with a couple of Virginia cigarettes.

When evening comes he seeks relaxation at the latest Adelphi melodrama or Drury Lane startler, both made in America, or goes to a more frivolous theater, controlled by the great American Trust, where he hears the latest American musical comedy, acted by young ladies and thin men with pronounced nasal accents. For relief he drinks a cocktail or some California wine, and finishes up with a couple of "little liver pills" made in America.²

²Ibid., 142-43.

Caricature, however, was not a characteristic of this classical study of the American challenge. For the most part its pages were full of detailed information and specific examples of the invasion of American products, services, operations, and capital investments. Mackenzie nearly succeeded in demonstrating that the invasion was affecting "five hundred industries at once." But, though it is the most complete contemporary account and attracted considerable attention when it was published, first in 1901 as a series in Northcliffe's Daily Mail and then as a book in 1902, it would be misleading to allow the work's breadth of scope and vividness of example to obscure the very significant fact that The American Invaders was only the most substantial among a great outpouring of British writings on the American challenge between 1898 and 1903. This literature is much too vast for analysis or even for adequate identification in these concluding pages. However, having brought the account to the brink of the great "American invasion," some indication of the enormous impact on British opinion of the events of the post-1897 era is in order.³

In a number of ways the post-1897 American challenge was

³These comments apply even if consideration is limited, as it is here, exclusively to articles, books, and pamphlets which deal directly with the theme of the American invasion or the American challenge. Writings in the newspapers and in the periodicals which deal specifically with other themes which have been treated in this study--Canada, tariffs and reciprocity, American competition in neutral markets, etc.--are so numerous in the period 1898-1903 that discussion of them would require book-length treatment.

but an intensification of already established patterns. The competition of American iron, steel, and engineering products more than ever dominated the pages of The Economist. The British continued to buy American pig-iron and steel and to face stiff competition in machine tools, engines, mechanical and electrical engineering products, and locomotives. American iron and steel exports rose from 150,000 tons in fiscal 1896 to 998,000 tons in fiscal 1899. There could be no doubt, according to The Economist, that it was the American producers who "will for the future be the principal factors in international rivalry."⁴

Though it was not until 1901 that the "American invasion" became a prominent theme in the periodical press, as early as 1900 readers of The Economist and The Times were aware that it had reached very serious proportions. "The Commercial History & Review of 1897" was the first to recognize American competition in neutral markets. "The Commercial History & Review of 1900" was the first to begin its analysis of the year's trade with the recognition that "the Americans were able not only to cut us out to some extent in foreign markets, but also to wrest from our manufacturers some of our own home trade." It was also the first to include a special section under the heading "American competition." American

⁴Com. History 1898, 19-22; Com. History 1899, 22-23; for the last phase of the American "cycle invasion" see "Duncans," "The Cycle Industry," Contemporary, LXXIII (April, 1898), 500-11; after 1898 the British regained the home market in this trade.

manufactured exports, it noted, had risen from £76,160,000 in 1898 to £88,280,000 in 1900, an increase of more than 15%:

Over this development of their trade there has been much jubilation in the States. Industrial supremacy, they say, is passing from the Old World to the New, and the ability of American manufacturers, through their greater energy and adaptability, and the superiority of their machinery, to out-distance their European competitors, is loudly vaunted. And there can be no question as to the growing industrial capacity of the United States.

The value of American iron and steel exports had risen from £16,500,000 in 1898 to about £26,000,000 in 1900, an increase of nearly 60%. England had faced competition in iron and steel before, The Economist observed, first from Belgium and then from Germany, "but now we are face to face with the most powerful and determined competition of all."⁵

American competition in engineering was growing so intense that in 1899 The Times dispatched a British engineer to tour and report on American production facilities. His findings appeared as a series in The Times in the spring of 1900; they attracted such interest that they were published in book form as American Engineering Competition.⁶ These reports described in detail the superiority of American equipment and production techniques and presented a wide array of examples of successful American competition in British and other markets in iron and steel, in structural steel work, in engines, machine tools, and agricultural equipment. The Americans

⁵Com. History 1900, 1, 4, 22-23.

⁶The Times, American Engineering Competition (London and New York: Harper & Brothers Publishers, 1901).

had an even greater edge in the newer electrical engineering industry; in England these products faced virtually no British competition at all but only that of German manufacturers.⁷

The British periodical press had been rather silent regarding the American challenge since 1892. As we saw in Part III, the intensification of American competition was broadcast for the most part in the newspapers. The events of 1898 changed this. The new world role which the United States adopted, coupled with the continuing expansion of American manufactured exports, re-established the American challenge as a staple item in the journals of opinion and occasioned the publication of a number of books and pamphlets.⁸

⁷For one of the earliest accounts, see A. A. Campbell Swinton, "Electrical Engineering and the Municipalities," Nineteenth Century, XLVII (February, 1900), 297-303.

⁸Of the six journals of opinion used in this study, The Contemporary Review, The Fortnightly Review, The National Review, and The Nineteenth Century, might be said to have been preoccupied with the American challenge. For virtually issue-by-issue coverage the regular features of The National Review--"Episodes of the Month" and A. Maurice Low's column, "The Month in America"--deserve special mention. The Edinburgh Review and The Quarterly Review gave it less prominence but by no means did they ignore it.

Of the literally hundreds of articles which dealt with or alluded to the American challenge in these six journals between 1898 and 1903, the following represent only a sampling of the more important contributions:

The Contemporary Review: "Ritortus," "The Imperialism of British Trade: Parts I and II," LXXVI (July, August, 1899), 132-52, 282-304; "The Author of 'Drifting,'" "The Economic Decay of Great Britain," LXXIX, LXXX (May, July, August, 1901), 609-38, 24-33, 264-83; Henry W. Macrosty and S. G. Hobson, "The Billion Dollar Trust: I and II," LXXX (August, September, 1901), 177-94, 333-54; Walter F. Ford, "American Investments in England," LXXXI (March, 1902), 401-08; Dr. E. J. Dillon, "The Commercial Needs of the Empire," LXXXI (April, 1902), 457-81; Walter F. Ford, "The Limits of the American Invasion," LXXXI (June, 1902), 780-87; O. Elzbacher, "The American Shipping

The influx of American manufactured products and of American coal; the invasion of England by the Steel, the Match, the Tobacco, and other American Trusts; the frightened outcry over Morgan's attempt to monopolize Atlantic shipping; the construction by Americans of much of London's transit system; the repatriation of American securities and a wave of American investments in British enterprises--these and

Trust," LXXXII (July, 1902), 69-79; J. A. Hobson, "The Economic Taproot of Imperialism," LXXXII (August, 1902), 219-32; and Major C. C. Townsend, "The American Industrial Peril," LXXXII (October, 1902), 562-67.

The Edinburgh Review: "American and English Working People," CXCIII (April, 1901), 489-510.

The Fortnightly Review: "The Commercial Future," Brooks Adams, "The New Struggle for Life among Nations," and Benjamin Taylor, "The Commercial Sovereignty of the Seas," LXV n.s. (February, 1899), 274-99; Benjamin Taylor, "The Struggle for Industrial Supremacy," LXVIII n.s. (October, 1900), 639-52; "Calchas," "Will England Last the Century?" LXIX n.s. (January, 1901), 20-34; "Commercial Rivalry with America": Benjamin Taylor, "The Maritime Expansion of America," and H. W. Wilson, "Face to Face with the Trusts," LXX n.s. (July, 1901), 61-87; "Two Presidents and the Limits of American Supremacy," LXX n.s. (October, 1901), 555-70; and J. A. Hobson, "The Approaching Abandonment of Free Trade," LXXI n.s. (March, 1902), 434-44.

The National Review: W. R. Lawson, "Morganeering," XXXVII (June, 1901), 538-47; Ernest E. Williams [author of Made in Germany], "Made in Germany--Five Years After," XXXVIII (September, 1901), 130-44; and "The Economics of Empire," a 106-page supplement which appeared with the regular issue of September, 1903.

The Nineteenth Century: Andrew Carnegie, "The Manchester School and To-Day," XLIII (February, 1898), 277-83; Frederick Greenwood, "The Anglo-American Future," XLIV (July, 1898), 1-11; J. W. Cross, "British Trade in 1898: A Warning Note," XLV (May, 1899), 850-56; Andrew Carnegie, "British Pessimism," XLIX (June, 1901), 901-12; Edmund Robertson, "The Shipping 'Combine' and the British Flag," LI (June, 1902), 873-82; George T. Denison, "Canada and the Imperial Conference," LI (June, 1902), 900-07; John Foster Fraser, "The Success of American Manufacturers," LIII (March, 1903), 390-402; Sir Robert Giffen, Edward Dicey, and Benjamin Kidd, "Imperial Policy and Free Trade: Parts I-III," LIV (July, 1903), 1-54.

The Quarterly Review: "A Council of Trade," CXCVI (July, 1902), 221-38; "Mr. Chamberlain's Fiscal Policy," CXCVIII (July, 1903), 246-78; and "Retaliation and Reciprocity," CXCVIII (October, 1903), 613-48.

many other manifestations of the American challenge filled the pages of the British press between 1898 and 1903. Those British readers not sated in this manner could turn to books such as Harold Cox, American Progress and British Commerce;⁹ E. H. Thwaite, The American Invasion; Or, England's Commercial Danger;¹⁰ or Beckles Willson, The New America: A Study of the Imperial Republic.¹¹

None of these, however, came close to matching Mackenzie's American invaders in demonstrating to the British the many ways in which their lives were being affected by American economic developments. The only work which could rival Mackenzie's was the less intensive but wider-ranging book by William Thomas Stead, The Americanization of the World; Or, The Trend of the Twentieth Century.¹² Stead devoted two chapters of his work to the economic "Americanization" of the world but he maintained that politically, socially, and culturally, the same process was evident in England, in the Bri-

⁹(London and New York: Cassell & Company, 1902). I was not able to obtain a copy of this work; an article by Cox bearing the same title appeared in The North American Review (July, 1901), 91-101. The thesis of the article was that the expansion of American industry and prosperity was good for Britain and that, though British "yellow journals" made much of the American peril, "sober Englishmen only read such papers for the sake of amusement."

¹⁰Originally published in London in 1902, the only copy I was able to obtain was that of (Wilmington, North Carolina and Washington, D.C.: Hugh MacRae & Co., Bankers, 1902).

¹¹(London: Chapman & Hall, Ltd., 1903).

¹²(London and New York: Horace Markley, 1901, 1902). I have used the latter edition.

tish Colonies, and in other portions of the globe. "That the United States of America," Stead maintained, "have now arrived at such a pitch of power and prosperity as to have a right to claim the leading place among the English-speaking nations cannot be disputed." Though many in England would indeed have disputed it, there were many who were in sympathy with Stead's chief objective, the unification of the two branches of the Anglo-Saxon race. Many might have disputed the way he phrased his argument, but his conclusion, since it was used by many in England to rationalize their acceptance of the American invasion, will serve as an appropriate conclusion to this study. "It is possible," wrote Stead,

that the American may stand to the Briton as Christianity stands to Judaism. . . .[and] so it may be through the Americans that the English ideals expressed in the English language may make the tour of the planet. . . .the philosophical historian may record that the mission of the English fulfilled itself through the American. The Americanization of the world is but the Anglicizing of the world at one remove.¹³

¹³Ibid., 3-4.

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APPROVAL SHEET

The dissertation submitted by Richard Gruber has been read and approved by members of the Department of History.

The final copies have been examined by the director of the dissertation and the signature which appears below verifies the fact that any necessary changes have been incorporated and that the dissertation is now given final approval with reference to content and form.

The dissertation is therefore accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy.

Lawrence J. McLaughlin
Advisor's signature

Jan 14, 1971
Date